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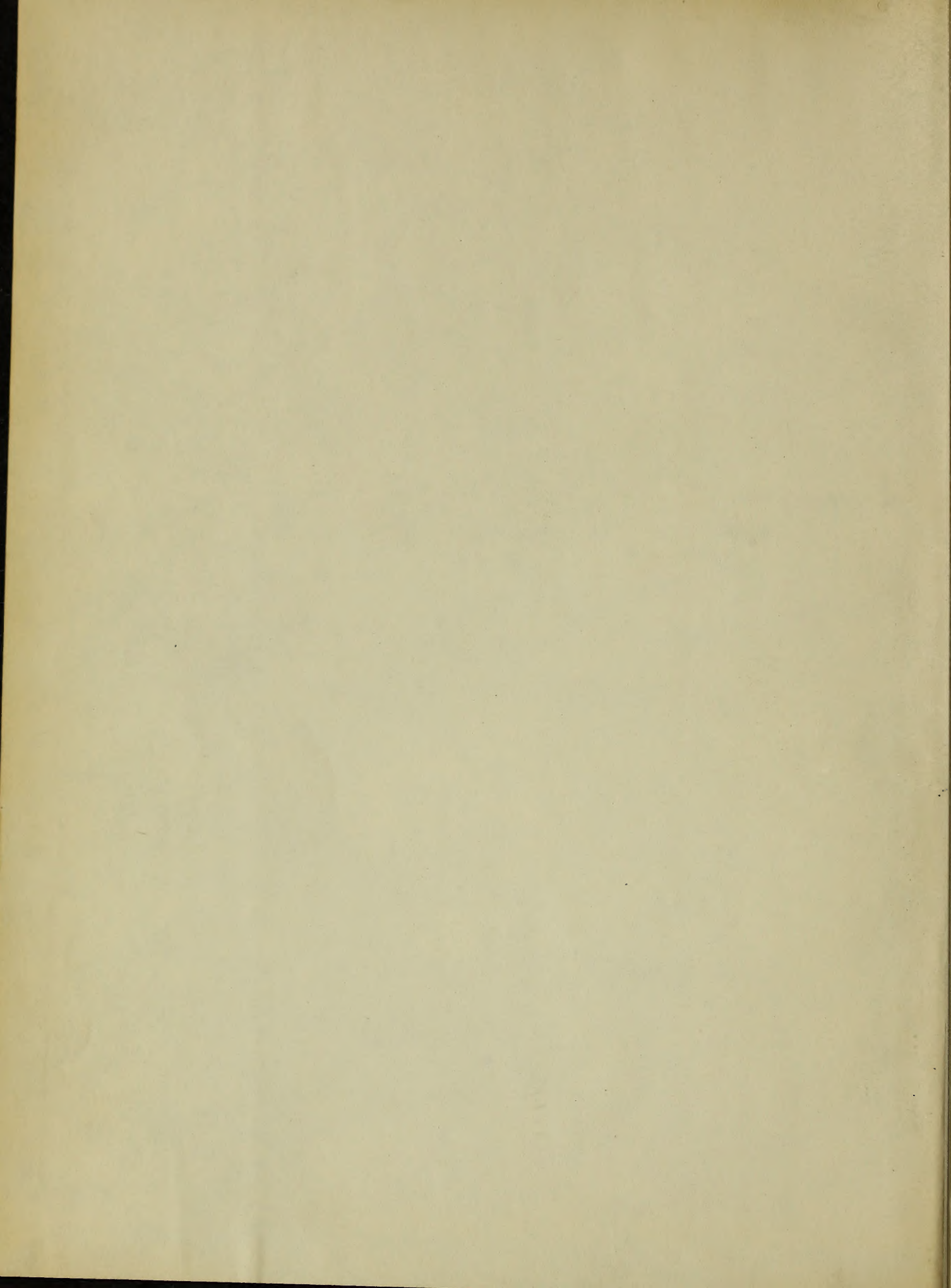
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THE INSTALLMENT SELLING OF AUTOMOBILES

A Study of the
General Motors Acceptance Corporation

By

Norman F. Stuart, A.B.

A Thesis Submitted As a Requirement For The Degree Of

Master Of Business Administration

GRADUATE SCHOOL OF BUSINESS ADMINISTRATION

BOSTON UNIVERSITY

BOSTON, MASSACHUSETTS

1929





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THE TREATMENT OF THE

A Study of the

General Medical Association

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CHAPTER I

THE THEORETICAL AND PRACTICAL ASPECTS OF INSTALLMENT SELLING



Installment selling is not a product of the last decade nor even of the last century or two. Its known foundation was laid in the city of Rome just previous to the dawn of the Christian Era, and there is every reason to believe that this system was practised successfully in Ancient Babylon and Egypt. It may be assumed, therefore, that the installment phase of business is almost the only phase of the present economic order which has been tested and improved throughout its slow but steady growth,¹ dating back over many centuries.

The installment phase of business has continued to increase in every country throughout the entire world and has ever proven its value. It has, therefore, been exceedingly difficult for the opponents of installment selling to overcome this fact in their indictment of the installment business. With but few exceptions, it is very generally agreed that installment selling is here to stay and efforts should be expended in improving the system itself rather than in attempting to hinder its natural growth and continually enlarge upon its weaknesses. There is no economic system or phase of economics which in practise is absolutely perfect, but there are some which are to be preferred to others and although the former in themselves may have certain weaknesses, their means of



REPORT I

THE PHYSIOLOGICAL AND PSYCHOLOGICAL ASPECTS

OF INSTANTANEOUS ACTION

Instantaneous action is not a new concept. It has been known since the

last century or more. The latest theories are based on the idea of

the brain's reaction to the shock of the stimulus. It is believed that this reaction is

instigated by the sensory organs, which are connected with the brain.

There is a direct connection between the sensory organs and the brain.

The brain is the only organ which is able to receive and interpret

the information which is sent to it by the sensory organs.

The brain is the only organ which is able to store information.

The brain is the only organ which is able to make decisions.

The brain is the only organ which is able to control the body.

The brain is the only organ which is able to think.

The brain is the only organ which is able to feel.

The brain is the only organ which is able to move.

The brain is the only organ which is able to live.

The brain is the only organ which is able to die.

The brain is the only organ which is able to be born.

The brain is the only organ which is able to be reborn.

strength greatly exceed their disadvantages.

The development of the installment system remained somewhat ~~some-~~
~~what~~ dormant for several generations until it was next introduced in
 England and in 1807 a household furniture ^{firm} in New York introduced the
 system in this country. Without any great pomp it was next extended
 to the purchase of homes and then sewing machines. From that time its
 growth has been steady but it was not until the latter part of 1920
 that the unprecedented expansion of installment selling was instituted.
 This development was led by the automobile industry which was at that
 time feeling the results of a very marked business depression. ^{1 and 2}

The economist continually advocates the extension of the purchasing
 market and advises the business man to create a demand for his products.
 This is exactly what the automobile industry and countless other business
 enterprises did to weather the financial depression of 1921. It is now
 a known fact that by creating a demand for its products many an industry
 was able to withstand the severe economic crisis of that period. ^{3 and 4}

At the present time the number and variety of commodities which
 the buying public are obtaining on the installment plan are increas-

#1-16 pages not numbered.

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through the use of the following:

The following is a list of the principal points covered:

1. The purpose of the study is to determine the effect of the

2. The method of the study is to use the following:

3. The results of the study are as follows:

4. The conclusions of the study are as follows:

5. The recommendations of the study are as follows:

6. The limitations of the study are as follows:

7. The significance of the study is as follows:

8. The scope of the study is as follows:

9. The organization of the study is as follows:

10. The bibliography of the study is as follows:

11. The appendix of the study is as follows:

12. The index of the study is as follows:

13. The cover of the study is as follows:

14. The title of the study is as follows:

15. The author of the study is as follows:

16. The date of the study is as follows:

17. The location of the study is as follows:

18. The subject of the study is as follows:

19. The method of the study is as follows:

20. The results of the study are as follows:

21. The conclusions of the study are as follows:

ing so that this system is being made applicable to every known product.

In the automobile industry there are five viewpoints which must be considered in discussing this subject;- that of the economist, the producer or dealer, the consumer, the person employed in the industry, and the general public.

The economist usually defines a productive industry as one which produces a commodity which satisfies a want.¹ From this definition one may readily ascertain that the automobile industry is economically productive.

The function of the producer and dealer are very similar in that both create time and place utility. It is true that both create a supply and a demand for the commodity, for the factory not only produces an automobile, but through advertising and other mediums continually creates a demand. The dealer in cooperation with the factory arranges for a sufficient supply of the commodity and also sees to it that any given demand is filled, and through its selling efforts is continually creating a demand for its particular product. Both attempt to coordinate the supply of and demand for the product.

The consumer who in the selling of automobiles is the purchaser, has a certain demand which may at times be somewhat inactive but

through selling methods may become real, is able to have his demand satisfied through the purchase of an automobile.

There is still another economic aspect of business;-that of the employees. Any industry which may assure its workers of a living wage, a wage sufficient to maintain their rightful standards of living and allow them to fulfill their sane wants through steady employment and the satisfaction of being employed in a productive occupation is really a means of making good citizens.

Any industry which carries on its business by sound economic and social methods is an asset to the world and makes any community a better place in which to live; it makes life itself more worthwhile living. This is brought about through the various means of exchange and the fulfillment of certain wants without which life would certainly be colorless, drab and a mere routine.

If installment selling aids in any way the attainment of even one of these ideals it is of distinct economic and social significance. All must agree that it is most instrumental in emphasizing, if not really developing, these aspects of life which really make our own lives more productive.

¹
A well known economist recently discussed installment buying in detail and stated that the question may be divided into two parts.

through selling methods and, second, to sell to the largest
possible number of customers.
There is still another economic aspect of business; that of
the employee. Any industry which employs the workers of a life-
ing wage, a wage sufficient to maintain their physical needs and
living and allow them to fulfill their social needs through family
employment and the satisfaction of being engaged in a productive
occupation is really a means of raising the standard of living.
The industry which employs in its business by means of its
and social methods is an agent in the social and moral development of
the nation in which it lives; it makes life itself more worthwhile
living. This is brought about through the very nature of its work
and the fulfillment of certain needs without which life would not be
life at all, that is, a life worth living.
It is important to keep in mind in any way the statement of even one
of these kinds is an of economic, social and moral significance.
All must agree that it is not insignificant in importance. It not
only develops, these aspects of life which really make our own
lives more productive.
A well known economist has recently discussed these things in
detail and stated that the question may be divided into two parts.

"First; is it well to buy on credit? Second; if one decides to buy on credit is it well to pay on the installment plan?" The first question, when referring to automobiles, may be answered in the affirmative for such a method is economically sound when the thing acquired really adds to a person's income, either directly or indirectly. It is only necessary to mention that such a service is rendered by the automobile in that it adds efficiency, broadens education, is health-giving and reduces the costs of production and distribution.

A reasonable amount of luxuries which are not considered as foolish may be purchased on credit. From the purely individual viewpoint, one is purchasing an unreasonable amount through the installment plan when one is constantly worrying as to how to meet the payments and in this way entirely neutralizes the benefits and pleasures received from the luxuries.

However, if sufficiently moderate purchases are made through installment plans to prevent the buying of a larger quantity than the income received during the period of the payments, the purchaser is merely buying earlier than if he were to wait until he could pay cash. In this way a certain time utility is rendered by installment sales.

It is of universal recognition that it is far more desirable to

When, as it well may be, an individual is asked to pay on credit is it well to pay on the installment plan? The answer, when referred to an individual, may be answered in the affirmative for such a method is undoubtedly sound when the individual really adds to a person's income, either directly or indirectly. It is only necessary to mention that when a service is rendered by the individual in that it adds efficiency, through education, is really added and reduces the cost of production and distribution. A reasonable amount of interest which the individual pays is not to be considered as a burden. From the purely individual viewpoint, one is purchasing an investment which should be maintained when one is essentially working as to how to meet the expense and in this way entirely neutralize the benefits and pleasure received from the investment. However, if sufficiently capable business are made through installment plans to prevent the buying of a larger quantity than the income received during the period of the payment, the payment is merely buying earlier than it is to be paid until he could pay cash. In this way a certain time utility is received by installment sales. It is of universal recognition that it is far more desirable to

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pay on an installment plan rather than to wait until the time limit is up and pay in a lump sum for the commodity which may have depreciated considerably or have become obsolete.

One great objection which has been raised against installment selling is that it withholds money from home building, insurance, savings and investments. Figures, however, have proven that during the recent period of motor car sales there have been the largest savings accounts, investments, and the greatest increase in insurance investments and an unparalled increase in the building of more and better homes than ever before. These conditions have been brought about by the fact that the automobile industry has been built upon the highest wage scale ever known with a constant improvement in the product and a lowering of the prices to the consumer. Automobiles are now being sold at less than pre-war prices.

Furthermore, the automobile industry has caused record freight returns to the railroads and has justified the building up and increasing of countless related and indirectly related ventures. It has provided a constantly increasing demand for labor, utilized vast new areas of land for suburban homes, provided a local market for the former existing surplus of raw materials and has resulted in a high tourist business. Of foremost importance, however, is the fact that this industry has been instrumental in bringing about almost constant

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prosperity through the vast volume of currency and great growth and employment since 1918, but especially, since 1921 when the installment selling of automobiles really commenced to have a marked effect upon this industry.

Installment selling, therefore, is really training its purchasers in financial and business responsibility and has an unbelievable effect upon the actual continuance of American advancement, prosperity and thrift.¹

All are conversant with the so-called economies of production and distribution and it has been the installment selling in the automobile industry which has had a very real effect in bringing about these economies.

One peculiarity of the automobile industry is that there must be available for delivery in the peak month of April approximately four times as many cars as during December or January and approximately twice as many as during the other months of the year. Sales during March, April and May represent thirty-seven and a half percent of the total sales for the year.² It is very evident, therefore, that the demand for automobiles is highly seasonable. There must be constant planning, forecasting, and production control so that each manufacturing plant may be so operated that it will have a fairly continuous

#1-17

#2-18 Page 6-9

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demand for automobiles is highly seasonal. There must be constant
planning, forecasting, and production control so that each manufacturer
the plant may be so operated that it will have a fairly continuous

output thereby allowing it to operate in the most efficient manner and at the same time maintain the actual cost of each product at its lowest figure. It is this aspect of the problem upon which the installment selling has had a marked effect. This system has allowed a constant and a greater output with a lower cost per unit which in the end is reflected in the quality and the net invoice price of the product.¹

Through the wholesale, warehouse and retail purchasing plans the costs of distribution are maintained at the lowest possible amount and the purchaser is able to obtain the "best buy " exactly when he wishes it.

The installment plan of automobile selling has been the potent factor in using capital employed in that industry in the most economic way thereby reducing all costs to the entire community.

There have been really two influences which have caused the installment selling of automobiles; first, - the desire of the purchaser to obtain the use of an automobile previous to the time he would have otherwise had the use of it if he were to wait until he could pay cash; secondly, -the desire of the producer to bring about the economies of large scale and mass production through a greater, more uniform, and uninterrupted output.

When any economic system is able to accomplish the results outlined above it absolutely justifies itself both in theory and practise. This is the exact position of installment selling as related to the automobile industry.

We are starting a revolution¹ which will probably be as important as the Industrial Revolution of the eighteenth century. This revolution, however, will bring about an extension of consumer's credit which will enable everyone to obtain many commodities which otherwise would be impossible of attainment while the former revolution materially changed the credit status of the producer. The underlying economic theories and results of both revolutions are unbelievably similar in that both have caused and will continue to cause increased wealth and improved welfare. Both revolutions are similar, furthermore, in that they have been accompanied by grave dangers and abuses at the outset but just as producer's credit is now looked upon as a real contribution to society, so will consumer's credit, or in other words, installment selling, for through the proper restriction of commodities and proper credit extension to the right individuals this system will gradually rid itself of its evils and weaknesses and likewise make an unmeasurable contribution to world-wide wealth and welfare.

When any economic system is able to accomplish the results indicated above it absolutely justifies itself both in theory and practice. This is the exact position of industrial banking as related to the automobile industry.

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CHAPTER II.

EVALUATION OF PREVIOUS STUDIES

After making a complete resume of the writings on the instalment selling of automobiles, it is very noticeable that no attempt has ever been made to analyze the organization, principals, policies, methods, and results of any one enterprise operating in this field.

Professor Seligman has made the most complete study of this phase of merchandising but over one half of his writings have touched upon definitions and theory and another portion has discussed the extension of credit in lines of endeavor other than automobile financing. Approximately three hundred pages of his two volumes on "The Economics of Instalment Selling" are devoted to the results which have been obtained in the automobile industry by the General Motors Corporation and its subsidiary organizations.

That study did not attempt to ascertain the reasons for the success of any one financing corporation but merely sets forth the results which have been obtained. It is the writer's opinion, however, that in looking ahead into the future a study must be first made as to the Corporation itself, and its organization, management, policies, and methods. When this study is completed then a consideration may be given to the results thus far obtained, and by relating the two aspects of such a study con-

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clusions may be reached as to the probable future of the General Motors Acceptance Corporation. The study should be of cause and effect rather than merely effect.

Furthermore, Professor Seligman has refrained from making any statement as to the probable future of a financing company such as GMAC.

Julian Goldman has made a somewhat cursory study of instalment selling and has traced its growth from its early foundation until the present day. His book does not concentrate upon any one type of business but definitely states that instalment selling is applicable to almost all commodities. He does, however, point to the automotive industry as the leader of this development in this country. His stand is, no doubt, taken on the basis that the amount of credit extended in the selling of automobiles is by far the larger portion of instalment credit. No attempt has been made to study the methods employed by any one business house in extending instalment credit.

The opinions of Julian Goldman must be discounted in that he is the President of a large firm which is most dependent upon instalment sales for its existence and his views would, therefore, be somewhat biased.

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Many books have been written on collections methods and on credit principles and practises such as those of Edward H.Gardner, Ben H.Blanton, O.H.Cheney, and Bryant W.Griffin which may be considered as the credit man's Bible. These books and many other articles have set forth certain fundamental principles which should be used in the extension of credit and in collection activities. To a great extent these publications are very theoretical and fail to discuss the real methods and results of any one financing enterprise.

Other publications have covered merely one phase of this subject such as the development of instalment selling. Many writers have either commended or criticized this system without attempting to evaluate in any great detail what the finance companies set out to accomplish, their results, how they have accomplished these results, and the probable future of this aspect of business.

There are also articles on certain fundamental ideas on instalment selling such as recourse versus non-recourse plans, the economic and social consequences of this system such as set forth by Wilbur C. Plummer, the bank as a finance company, the specific finance plans under which various instalment houses operate such as the Morris Plan, and the economic and commercial development of the industry as referred

Many books have been written on collection methods and on credit principles and practices such as those of Edward A. Johnson, Ben E. Johnson, C. H. Johnson, and Edward W. Johnson which may be considered as the credit man's bible. These books and many others written have not found readers. Fundamental principles which should be used in the extension of credit and in collection activities. To a great extent these publications are very theoretical and fail to discuss the real methods and results of any one financing enterprise. Other publications have covered nearly every phase of this subject such as the development of installment selling. Many writers have either recommended or criticized this system without attempting to evaluate in any great detail what the financial results are and to recapitulate their results. Now they have recapitulated these results, and the probable future of this aspect of business.

There are also articles on certain fundamental ideas on installment selling such as progress, various non-recourse plans, the economic and social consequences of this system such as that by William C. Plummer, the book on a finance company, the specific finance plan under which various installment houses operate such as the Home Plan, and the economic and commercial development of the industry as referred

to by Ralph E. Epstein,

The conclusions arrived at by these writers are too dependent upon their own personal interests and viewpoints. The authors of these articles have usually been associated in some way with a certain finance company and seemed to have been so biased that they are unable to see other than their own side of the story.

The studies which have been made on installment selling have been either too general in that they merely trace the development of this economic system as a whole, too theoretical in that they have not properly considered the facts, or else have not been complete in that they have merely touched upon the specific financing plans under which certain organizations are now operating or the results obtained by certain enterprises engaged in this field of endeavor, or else they have touched upon merely the proper methods of extending credit and of effecting collections.

No attempt has ever been made to study every detailed phase of the organization, policies, results, and probable future of any one installment financing house. The purpose of this work is to study in detail all of these phases as they are applicable to the General Motors Acceptance Corporation.

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upon merely the proper methods of extending credit and of extending
collections.
No attempt has ever been made to thoroughly detail these of
the organization, its policies, practices, and methods of carrying out
financial planning work. The purpose of this work is to supply in
detail all of these phases as they are applicable to the General Motors
Insurance Corporation.

CHAPTER III.

THE REASONS FOR THIS STUDY

There are possibly eight reasons why it is necessary to make a detailed study and analysis of the methods and results of the General Motors Acceptance Corporation. These are; (1) To investigate the soundness of the frequent indictments against the installment selling of consumers' goods.

(2) It seems to be an opportune time to outline in detail the policies, methods and results of GMAC which is the largest Corporation of its kind in the world, for this study may be of educational value to the world at large.

(3)a. Approximately 10% of our entire population, 12,000,000 to 15,000,000 people are dependent, insofar as their purchasing power is concerned, directly upon the automobile industry.¹

b. Over 20,000 dealers scattered over the entire world with organizations aggregating over 1,000,000 individuals and an investment of hundred of millions of dollars are dependent upon the General Motors Corporation.²

c. The General Motors Acceptance Corporation has in its employ over 4,500 employees who depend upon the Corporation for their purchasing power and the entire General Motors Corporation, including its sub-

CHAPTER III.

THE REASON FOR THE FACT

There are possibly three reasons why it is necessary to make a detailed study and analysis of the history and growth of the American Tobacco Company. First, it is to determine the character of the company's activities and its influence on the industry of the country. Second, it is to determine the character of the company's management and its influence on the industry of the country. Third, it is to determine the character of the company's products and its influence on the industry of the country.

(1) It seems to be an opportunity to make a detailed study of the company's history and growth, which is the subject of this study. The study is of the kind in the world, for this study may be of educational value to the public at large.

(2) A. Approximately 10% of the entire population, 12,000,000 to 15,000,000 people are dependent, directly or indirectly, upon the automobile industry.

b. Over 10,000,000 people are dependent upon the automobile industry.

organization is organized, over 10,000,000 people are dependent upon the automobile industry.

c. The American Tobacco Company is the largest of the kind in the world, for this study may be of educational value to the public at large.

sidiary companies have approximately 200,000 employees. ¹

(4) Approximately 7,709 banks and 890 customers have from time to time purchased the Gold Notes and other certificates of indebtedness with an aggregate value of over \$2,675,000,000.

(5) There are approximately 82,000 stockholders of the General Motors Corporation and the return of their investment depends to no small degree upon the methods of operation of not only the parent company but also all of the other subsidiary corporations.

(6) Is the organization of lasting nature or purely of "mushroom" growth?

(7) The relation between the Corporation and the purchasers.

(8) The true social and economic consequences of the installment selling of automobiles.

INDICTMENTS AGAINST THE INSTALLMENT SELLING OF AUTOMOBILES

The opponents of automobile selling have continued to emphasize the fact that where installment selling is made applicable to consumer's goods, it is non-productive and is neither socially nor economically sound. They strongly advocate, however, the granting of credit for the purchase of producer's goods. However they have been unable to agree among themselves as to what is a producer's good and what is a consumer's good.

Indictments have also been made against installment selling on the basis that it is a detriment to the source of wealth as the people become irresponsible, and allow their standard of living to be raised much higher than it should be.

Do these opponents, however, take into consideration the fact that consumer's credit leads to increased production and it is, therefore,¹ not a detriment to wealth but the assuring of wealth itself?

The inconsistency of some of these critics is brought out by the fact that they oftentimes believe that an automobile truck is really a producer's good, yet approximately 80% of these are purchased on the installment plan and the experience of financing companies on this type

THE PROBLEM OF THE DISTRIBUTION OF WEALTH

OF WEALTH

The opponents of automatic selling have continued to maintain the fact that where automatic selling is made applicable to consumer's goods, it is non-productive and is neither socially nor economically sound. They strongly advocate, however, the granting of credit for the purchase of producer's goods. However they have been unable to agree among themselves as to what is a producer's good and what is a consumer's good.

Industrialists have also been who regard automatic selling as the basis of a debt which is a detriment to the welfare of the people because impracticable, and also their standard of living to be raised much higher than it should be.

In these arguments, however, there is no consideration of the fact that consumer's credit leads to increased production and is, therefore, not a detriment to wealth but the source of wealth itself.

The maintenance of some of these critics is brought out by the fact that they themselves believe that an automobile truck is really a producer's good, yet approximately 80% of these are purchased on the installment plan and the expense of financing companies on this type

of car has been far from satisfactory and the credit risk on a truck is usually higher than on passenger cars.

There is really no means of ascertaining whether or not automobiles are producer's or consumer's goods. It is generally agreed, however, that most automobiles are at least to some extent producer's goods. Without an agreement upon a consumer's good and a producer's good and a detailed study of the uses to which an automobile is put, there cannot be any scientific basis for this indictment.

Another objection oftentimes raised is that an automobile is in most cases a luxury and not a necessity. However, there has been absolutely no agreement as to what is a luxury and what is a necessity.¹ Without a proper line of demarkation no correct conclusion may be reached by the opponents of the installment selling of automobiles. Evidently they have failed to take into consideration the fact that an automobile may be a means of transportation, service, health, happiness, comfort and gives that certain sense of satisfaction which comes with personal possession and social prestige.

Has consideration been given to the other aspects of installment selling, namely; that it has a marked effect in equalizing automobile production, thereby aiding in the production of a constantly improved

product with a lower cost per unit, that it has raised the individual's standard of life and has increased the real incomes of the working classes?

From time to time other objections are raised against the installment selling of automobiles but these criticisms are unscientific and the few difficulties may be easily corrected or controlled by the proper extension of credit. It is only for a time that a person may live beyond his income for sooner or later he must pay his obligations and through proper credit extension and collection efforts he becomes aware of this fact in a relatively short time.

The facts of the case are that installment selling has stimulated thrift and investments and those companies which went into the automobile finance field to make huge profits by the unwise extension of credit are now out of business.

The only real contention against installment selling is that the rates are often usurious. In some instances this is true, for a recent investigation of one company which advertised its charges as 7% proved that in reality the charges ranged from 18% to 48% on its money. The average charges on new cars which cover the interest, insurance protection, costs of investigations, collections, and other

#1- 19 page 34-39.

#2- 19 page 27-28.

product with a lower cost per unit, that it has raised the individual's
standard of life and has increased the real income of the working
class.

From time to time other objections are raised against the in-
cremental selling of automobiles and these objections are usually of the
kind that the few difficulties may be easily overcome or overcome by
the proper application of credit. It is only for a few that a person
may live beyond his income for months or years and not for the multi-
tude. And though credit is given to the individual and the credit is
the means of the man's life in a relatively short time.

The fact of the matter is that the individual selling the automobile
and the individual and those companies which sell the automobile
will be able to make good profits by the proper application of
credit and the use of credit.

The only real objection against the incremental selling is that the
values are often small. In some instances this is true, but a
recent investigation of the company which sold the automobile as
it proved that in selling the car they received from 100 to 200
money. The average charge to the man who sold the car was
insurance protection, costs of interest, advertising, and other

overhead costs usually range from 11 to 40%, and on used cars from 16 to 43%. However proper consideration should be given to the fact that a purchaser is paying less for an automobile as automobile prices have been materially reduced due to installment plans. The finance charges are not sufficiently high enough to offset these price reductions. Furthermore, automobiles and rubber tires are the only two commodities in the United States which are sold for less than the pre-war prices. This has been caused by installment selling.

Still another criticism points out that in times of depression installment selling would aggravate the situation, for products could not be purchased, money would not circulate and, therefore, high inventory values would be greatly reduced.

Has due consideration been given to the fact that, possibly, in times of depression installment selling will be a means of increasing the circulation of money and in this way quicken the recovery and even decrease the seriousness of the depression? This was proven during the depression of 1920 and 1921.

It is also stated that installment purchasing has another marked effect on the business cycle in that a period of extreme activity is further aggravated by this system. This objection may be discounted by bearing in mind that the proper extension of credit will control such a

overhead costs usually range from 11 to 40%, and on low cost items 15 to 45%. However, proper consideration should be given to the fact that a purchaser is paying less for an automobile or automobile parts than he has actually received due to installment plans. The finance charges are not sufficiently high enough to offset these price reductions. Furthermore, automobiles and automobile parts are the only two commodities in the United States which are sold for less than the pre-war prices. This has been caused by installment selling. Still another criticism relates to the fact that in times of depression installment selling would aggravate the situation for producers could not be purchased, many would not anticipate and therefore, high inventory values would be greatly reduced.

Has due consideration been given to the fact that, possibly, in times of depression installment selling will be a means of increasing the circulation of money and in this way cushion the recovery and even because the seriousness of the depression? This was proven during the depression of 1930 and 1931.

It is also stated that installment purchasing has a stabilizing effect on the business cycle in that a period of extreme activity is further aggravated by this system. This objection may be dismissed by bearing in mind that the proper expansion of credit will control such a

situation. It seems evident from the failure of the Federal Reserve System to reduce the stock market speculation during the past few months by changing the re-discount rate or by stabilizing the general credit situation in any other way, that in the future it will have but little effect in controlling excessive business activity and credit extension.

The fears of the opponents of installment selling should not cause any great alarm for approximately six billion dollars worth of goods are now sold at retail annually, exclusive of houses, life insurance, stocks and bonds. At any given time the installment debt outstanding amounts to approximately \$2, 750,000,000 and the total outstanding debt amounts to over 120 or 130 billion dollars. It is true that about one half of the total outstanding debt, or \$1,500,000,000 represents the installment debt on automobiles, but this figure is quite negligible in comparison with the value of all goods sold at retail.¹

There is no doubt but that the installment debt is increasing and it is with this thought in mind that a study should be made of certain credit extension houses to ascertain the proper methods of handling installment sales, and wiping out their evils so that if the increase



of such sales continues they will be handled wisely and economically.

It seems evident that on the whole the indictments against the installment selling of automobiles have no scientific foundations and are not in accord with the facts.

of such cases remains they will be handled wisely and successfully.
It seems evident that on the whole the Indians are against
the installation of a reservation here as indicated by the
and are not in accord with the facts.

THE EDUCATIONAL VALUE OF THE STUDY

During the past few years many companies have entered into the installment selling or financing field on the sole basis that unprecedented earnings could be reaped from this source. There has been a "mushroom" development but many of these companies have failed because of the unwise extension of credit, their policies have been unsound, they have been mismanaged or there have been legal defects in their sales agreements.

It seems an opportune time, therefore, to outline the methods and policies of a Corporation which has been successful in this field of endeavor, which extends proper credit, has sound policies and management, and operates under proper sales contracts or agreements.

This study should be of educational value in instructing the reader in the reasons for the success of the General Motors Acceptance Corporation and its probable continued advancement in automobile financing.

THE ECONOMIC VALUE OF THE STUDY

During the past few years many companies have realized that the fundamental selling or promotional effort on the sales side that represented savings could be secured from this source. There has been a "marketing" development in many of these companies that failed because of the entire confusion of credit, their policies have been changed, they have been changed or they have been legal defects in their sales agreements.

It seems an obvious thing, therefore, to utilize the methods and policies of a corporation which has been successful in this field of endeavor, which entails proper credit, has sound policies and management, and certain other good ideas outside of these.

This study should be of educational value in increasing the reader in the manner for the success of the business before the business corporation and its various financial resources in automobile financing.

EFFECT UPON EMPLOYEES

There seems to be a further need for this study after taking into consideration the fact that between 12,000,000 and 15,000,000 people or approximately 10% of our entire population are absolutely dependent insofar as their purchasing power is concerned, directly upon the automobile industry. If this industry is not being operated upon economically and socially sound bases, at some future date it may be expected that a fairly large percentage of our population will meet with hardships.¹

Vast dealers' organizations numbering somewhat over 20,000 enterprises having an investment of millions of dollars and a personnel of over 1,000,000 individuals are dependent upon the General Motors Corporation for their continual success, welfare and happiness.²

Approximately 200,000 employees of the General Motors Corporation and its subsidiary organizations are staking their entire future upon the principles, management, and progress of the Corporation and over 4600 employees of the General Motors Acceptance Corporation are looking forward with eagerness to the continued success of their own Corporation.³

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#2- 71
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SWIFT VISA DELIVERIES

There seems to be a further need for this study after taking into consideration the fact that between 15,000,000 and 16,000,000 people or approximately 10% of our entire population are dependent upon the automobile as their principal source of transportation, directly or indirectly. If this industry is not being operated upon economically and socially sound bases, at some future date it may be expected that a fairly large percentage of our population will meet with hardship.

These factors, organization, marketing somewhat over 30,000 enterprises having an investment of millions of dollars and a personnel of over 1,000,000 individuals are dependent upon the General Motors Corporation for their continued success, welfare and happiness.

Approximately 300,000 employees of the General Motors Corporation and the subsidiary organizations are working their entire future upon the principles, management, and progress of the Corporation and over 4000 employees of the General Motors Corporation are looking forward with eagerness to the conditions of their own Corporation.

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From the above figures, is it any wonder that the functions of the General Motors Acceptance Corporation which plays a very important part in the General Motors family should be studied in some great detail?

From the above figures, it may be seen that the function
of the General Motors Corporation is to place a very
important part in the General Motors family should be placed in
some great detail.

THE BANKING INTERESTS

In 1919 when GMAC was first organized the notes of the Corporation were not accepted by the banking interests with any great enthusiasm. During July of that year one of the large New York banks by great salesmanship was persuaded to purchase \$50,000 worth of the Collateral Gold Notes of the Corporation. That same bank now extends to GMAC a line of credit of \$6,500,000 predicated on discount of Gold Notes without any pledge of collateral.

During that entire year the total number of sales to banks and other business houses or individuals amounted to 258, for a total amount of \$13, 018,618.

Since 1918, however, the banks have purchased over \$2,676,000,000 worth of Gold Notes of the Corporation. Furthermore, since inception, over 7,709 banks and 890 other customers have considered these notes as satisfactory investments.

All will agree that no bank will purchase such evidences of obligation without having confidence in the Corporation itself. Will this confidence, however, continue? This question we shall attempt to answer through this study for it is certain that the extension of such

THE BANKING INTERESTS

In 1918 when ENAC was first organized the power of the bankers-

was not accepted by the banking interests with any great enthusiasm. During half of that year one of the large New York banks by great reluctance was persuaded to purchase \$50,000 worth of the Colliery Gold Mines of the Corporation. That same bank now extends to ENAC a line of credit of \$1,000,000 provided on discount of bank notes without any pledge of collateral.

During that entire year the total number of sales to banks and

other business houses or individuals amounted to 250, for a total

amount of \$15,015,515.

Since 1918, however, the bank has purchased over \$1,000,000

worth of gold notes of the Corporation. Furthermore, since January,

over 1,700 banks and 800 other business houses purchased their notes

as satisfactory investments.

All will agree that no bank will purchase such evidence of ability

without having confidence in the Corporation itself. Will this

confidence, however, constitute this question of ability to

convert through this study for it is certain that the extension of such

an enormous amount of credit deserves more than a cursory examination for it effects the entire credit structure of not only this country but even of the entire world.

The Capital Stock of the Federal Reserve Corporation,
The Capital Stock of FRB also amounts to \$25,000,000.

This stock of the Federal Reserve Corporation is in the hands of so many trustees representing almost every walk of life, financial and social positions, that this place of the money should receive more than merely passing attention. Many of these individuals have placed their all in the Corporation and their financial position may well be said to depend in no small degree upon the policies of the Corporation and its financial structure.

It is only as justice to these investors that a proper analysis should be made to determine the probable position of FRB for some years to come.

A recent study has disclosed the fact that within the last decade four years there have been no less than 151 manufacturing corporations at the present time there are but 42 of these still in operation in this country. Of this number 11 have been in business during the whole entire period. The average length of business of life

THE INVESTORS

At the present time there are approximately 82,000 stockholders who own the Capital Stock of the General Motors Corporation. The Capital Stock of GMAC alone amounts to \$40,000,000.

This stock of the General Motors Corporation is in the hands of so many investors representing almost every walk of life, financial and social positions, that this phase of the study should receive more than merely passing attention. Many of these stockholders have staked their all on the Corporation and their financial position some years to come will depend in no small degree upon the activities of the Corporation and its financial structure.

It is only in justice to these investors that a proper analysis should be made to determine the probable position of GMAC for some years to come.

A recent study has disclosed the fact that within the last twenty-four years there have been no less than 181 automobile manufacturing companies and at the present time there are but 43 of these still engaged in this business. Of this number 11 have been in business during this entire period. The average length (arithmetic mean) of life

THE INVESTORS

At the present time there are approximately 25,000 shareholders who own the Capital Stock of the General Motors Corporation. The Capital Stock of GMAC alone amounts to \$40,000,000. This stock of the General Motors Corporation is in the hands of so many investors representing almost every walk of life, financial and social positions that this phase of the study should receive more than merely passing attention. Many of these stockholders have placed their all on the Corporation and their financial position some years to come will depend in no small degree upon the activities of the Corporation and its financial structure. It is only in justice to these investors that a proper analysis should be made to determine the probable position of GMAC for some years to come.

A recent study has disclosed the fact that within the last twenty-four years there have been no less than 151 automobile manufacturing companies and at the present time there are but 45 of these still engaged in this business. Of this number 11 have been in business during the entire period. The average length (arithmetical mean) of life

for all the 181 companies has been 9.4 years, and the median length of life but 7.0 years; 28% of the 181 companies lasted three years or less, 49% lasted six years or less, 36% ten years or more, 19% sixteen years or more.¹

The principal causes of failure have been over-production, mis-production, improper distribution and management.

In view of these facts it seems in order that a detailed study be made of one of the most important finance companies now operating in this field.

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For all the 151 companies has been 5.4 years, and the median length
of life has 7.0 years; 284 of the 151 companies listed have years
of less, 284 listed six years or less, 284 the years or more, 151
eleven years or more.

The principal reason of failure have been over-production, mis-
management, improper distribution and management.
In view of these facts it seems in order that a detailed study
be made of one of the most important business concerns and operating
in this field.

PERMANENCE AND STABILITY

It has been the general experience throughout the world that the "mushroom" type of business organization is usually a curse. It may fulfill a social and economic want for a brief period of time but when it collapses it causes suffering and hardship.

Will the General Motors Corporation stand on a solid foundation throughout any economic strain and in this way retain the confidence of its investors, purchasers, dealers, bankers, employees, and friends?

This question may be answered only after proper consideration has been given to its plans, policies, methods, results, and capital structure.

The Purchasers

When an individual purchases a commodity or entrusts his savings with a certain bank he usually does so because of his confidence in the organization with which he is doing business. The good will policy of GMAC and its methods of carrying on its business with installment purchasers of automobiles will have a marked effect upon the future of the organization. Without such purchasers there would be no need for the enterprise, but if the purchaser is satisfied with the service rendered and has confidence in the Corporation he will probably be a repeat customer and also directly or indirectly influence his friends

and associates to enter into business relations with GMAC.

This viewpoint must receive detailed study for it is the very basis of the Corporation's ability to justify its future existence.

The Economic and Social Phase

The justification for any business enterprise really resolves itself into its economic and social services. Is its services such that they satisfy a want, are they productive, do they make this world a better place in which to live, do they increase the welfare of the community and are they fleeting or of more or less permanent nature?

Conclusions cannot be reached until a detailed analysis and study is made of the purposes, principles, policies, organization, and results of the General Motors Acceptance Corporation.

Conclusion

The General Motors Acceptance Corporation as a subsidiary organization of the General Motors Corporation is so closely related to its parent company that it is oftentimes impossible to consider the one without the other. Their basic foundations, their problems and in general their methods of operation are similar. It is probably

because of these relationships that the General Motors Corporation has been so successful and enjoys such an enviable reputation.

Insofar as is possible an attempt will be made to discuss merely the Acceptance Corporation itself but at times this will be almost impossible and a consideration will be given to the entire General Motors organization.

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CHAPTER IV.

THE PURPOSES, PRINCIPLES, AND POLICIES OF THE GENERAL MOTORS
ACCEPTANCE CORPORATION. ¹

The General Motors Acceptance Corporation, to be referred to hereafter as G.M.A.C., was organized early in 1919 under the banking laws of the State of New York, as an associated independent banking institution to provide credit accommodations exclusively for General Motors distributors and dealers and purchasers of General Motors products, also purchasers of used automobiles of standard makes when purchased from General Motors distributors and dealers, if the car was previously taken in trade on the sale of a new General Motors product.

The functions of the General Motors Acceptance Corporation are to supplement existing local banking facilities, which accomplishes two things; first-that General Motors distributors and dealers with approved credit standing are enabled to finance their purchases and sales upon a thoroughly sound banking basis; which in turn means, second-that General Motors Corporation is enabled to sell its products for cash.

Accommodations under the GMAC Plan are available only to those who measure up to proper credit standards. The GMAC has been and will

continue to be instrumental in augmenting sales, and forms an important part of the merchandising operations.

1

WHY GMAC WAS ORGANIZED.

Certain fundamental conditions, peculiar to the merchandising of the automobile, demand specialized credit and banking service. These conditions may be grouped as follows:

- (1) Factories, to build the very best products and sell them for the lowest possible price, must operate at a uniform rate the year round; but the retail sales of automobiles are greater at a certain season than at others. In the Spring, when the retail sale of motor cars is the greatest, it would be impossible for the manufacturers to produce sufficient cars to meet that demand. In order, therefore, to manufacture at as even a rate as possible, products must be stored during the season of lesser sales, awaiting the season of greater sales. As sufficient storage space is not available at the factories, or even if available, the vehicles would not be near enough at hand for the dealer when his market opens up; the storing of motor

conditions of the institution in connection with the same.

important part of the manufacturing operations.

THE NEW YORK LEGISLATURE.

passed a bill which was signed by the Governor.

and of the various other bills which were introduced.

session. These bills were all passed by the Legislature.

(1) The bill for the purpose of the same was passed.

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at the same time, the bill for the purpose of the same was passed.

which was passed by the Legislature.

vehicles must be handled by the distributors and dealers.

- (2) The merchandising of motor vehicles at retail on credit has been a logical development in the industry until today the greater share of all retail sales is made on deferred payments; a portion down and the balance distributed over a subsequent period. Where the credit is extended on a proper basis, this practice is a natural development of the market for motor cars.
- (3) Purchase by dealers for the purpose of stocking cars and the policy of selling on a deferred payment plan, requires larger financial resources than the average dealer possesses. He must look to other sources for the necessary funds. The local banks are not all equipped to handle the specialized credit requirements involved in automobile financing.
- (4) The automobile industry now ranks first among manufacturing industries of the United States in the wholesale value of the finished product, and General Motors is the largest institution in the industry. General Motors Corporation, recognizing that its manufacturing divisions had been hampered by the factors already enumerated, organized the General Motors Acceptance Corporation in January 1919, to

render financial service exclusively to General Motors dealers and purchasers of General Motors products along sound credit and banking lines, supplementing the credit facilities of the local banks by furnishing the excess accommodation needed for the dealer's wholesale and retail operations.

- (5) The GMAC wholesale and retail plans for financing sales of General Motors products are available throughout the United States, Canada and Great Britain. In addition, through its Foreign Department, the operations extend to every part of the globe where motor cars are used in quantity.

THE GMAC SERVICE EXPLAINED¹

Under the GMAC Wholesale Plan, General Motors dealers, after credit has been established, may purchase new passenger cars and commercial vehicles direct from the divisions of General Motors Corporation or from their distributors by paying a small amount in cash; the balance of 90% being payable as the machines are released or at an agreed date after shipment. The machines so financed may be stored in the dealer's showroom for display, in warehouses under the control of the dealer or in public licensed warehouses under

under the same conditions as the other two, and the same results were obtained. The results of the tests are given in the following table. The results of the tests are given in the following table. The results of the tests are given in the following table.

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THE TEST RESULTS

Under the test conditions given, the results of the tests are given in the following table. The results of the tests are given in the following table. The results of the tests are given in the following table.

pledge of warehouse receipt. These negotiable receipts are in the custody of GMAC or the dealer's local bank.

The Wholesale Plan also includes a special demonstrating privilege which is intended to take care of what might be termed Emergency Demonstrations. Under this plan, a car financed on GMAC Floor Plan may be released for demonstrating on payment by dealer to GMAC of an additional 15% of the amount outstanding on the car, (except Chevrolet).

General Motors Acceptance Corporation retains title to the products financed until full payment is made. Instructions and release orders are given to the dealer so that he may forward to GMAC the amount due on a car and secure immediate release. After release the dealer has full title to the car.

Under the GMAC Retail Plan, General Motors merchants may sell the products of the Corporation to customers in good credit standing upon terms specified by the Acceptance Corporation. The purchaser pays a portion in cash or by trade-in of used car, and gives an obligation for the remainder, payable in equal monthly installments. The time price paid is the cash price plus the GMAC differential, covering the cost of investigation, interest, and service and collection expenses, as well as fire and theft insurance. A lien is retained on the products until payment is made.

If it is ascertained upon investigation that the purchaser is entitled to credit, GMAC obtains a form of Contract, Chattel Mortgage or Lease signed by the purchaser and bearing the dealer's recommendation, assignment and guaranty. The deferred payments are made by the purchaser to the Acceptance Corporation.

1

THE GMAC FOREIGN SERVICE.

The Foreign Department of General Motors Acceptance Corporation offers a financing service to overseas distributors of General Motors products. In the case of exported merchandise, it is not practicable to follow the GMAC wholesale and retail plans already explained, except in the case of Great Britain. The Foreign Department, however, offers financing facilities whereby the foreign distributor may make payment at his point of importation instead of New York City. This is accomplished by means of documentary drafts drawn on the overseas distributor or his bank, the terms being such as to offer either facility of payment or credit. These drafts are drawn in American dollars or in the currency of the country of the distributor and are of three classes: (a) drafts drawn payable at sight; (b) time drafts drawn documents to be delivered against payment; (c) time drafts drawn documents to be delivered against acceptance.

By means of the GMAC foreign service the overseas distributor avoids the necessity of advancing funds to provide for the payment in the United States of motor cars when delivered at New York or other ports of shipment; and receives the further advantage of the low interest rate at which General Motors Acceptance Corporation is able to negotiate its drafts because of its high credit standing in this country. In addition to this service rendered to overseas distributors, the Foreign Department has also facilities for handling the foreign financial transactions of any General Motors Corporation subsidiary or its affiliated interest, including the buying and selling of exchange and similar operations.

CHAPTER V.

1
. HOW GMAC SECURES ITS FUNDS.

The funds needed by General Motors Acceptance Corporation to finance the sales of General Motors products to distributors, dealers and retail purchasers are obtained in the following manner:

1. Through agreements entered into with important banks throughout the U.S. as to a maximum amount GMAC is entitled to borrow in return for deposit balances. All domestic borrowing requirements with Account Banks are handled by the Financial Sales Department, which department also sells notes direct to a clientele of more than 6,000 other banks without compensating deposits, as an independent investment. In addition some dealers and individuals have invested surplus funds in our paper. Both borrowing and direct sales transactions are negotiated on an interest discount basis with maturities averaging slightly less than four months. The type of note used is known as a short term:

- (a) GOLD NOTE issued without pledge of collateral and validated by the GMAC Comptroller, who certifies that live receivables and/or cash equal to the amount of the outstanding Gold Notes

and other domestic obligations, are held by the Corporation.

2. Through a syndicate of banks headed by J.P.Morgan Company, First National Bank and Bankers Trust Company, New York City, and National City Company two long term issues have been sold to public investors:

(a) SERIAL GOLD NOTES \$50,000,000, dated March 1, 1926, maturing in amounts of \$5,000,000 per year from one to ten years thereafter, \$45,000,000 being outstanding as of December 31, 1927. These borrowings are not secured by specific collateral but are issued under a Trust Indenture, making certain covenants in behalf of the note-holders and executed to the Bankers Trust Company of New York City, Trustee.

(b) GOLD DEBENTURES \$50,000,000, 10 year Sinking Fund at 6% of which \$49,500,000 are outstanding as of December 31, 1927. This issue, as the above, is covered by a Trust Indenture with the Bankers Trust Company of New York City, Trustee.

3. The receivables originating in all Canadian Provinces are separately financed, with Canadian banking institutions, on a demand basis, without hypothecation.

(a) DEMAND NOTES are payable upon demand or voluntarily having no definite maturity. Interest adjustments are made periodically.

4. Foreign operations require three distinct types of transactions

CHAPTER VI.

covering the methods and practices of different countries.

- (a) BANKERS ACCEPTANCES are created under credit acceptance arrangements with domestic banks supported by the deposit of drafts and bills with Foreign and/or Domestic Banks.
- (b) DRAFTS and BILLS growing out of shipments by General Motors Export Company and the Overseas Motor Service Corporation to foreign buyers financed by us, may be hypothecated with certain banks.
- (c) OVERDRAFTS- a customary form of borrowing in some Foreign countries.

CHAPTER VI.

THE ORGANIZATION OF THE CORPORATION
 FUNCTIONS AND RESPONSIBILITIES OF HOME OFFICE EXECUTIVES. ¹

The functions of the Officers of the Acceptance Corporation are, briefly as follows:

Chairman, Board of Directors

Is in complete control of all matters of fundamental policy.

President

Has full responsibility for the execution of such policies, as well as all operations of the Corporation. In the absence of the President, the Vice President in charge of Administrative Staff will officiate with the full authority and responsibility of the President.

Vice President, Administrative Staff

In control of all operations of the Corporation, both Domestic and Foreign.

Vice President, Chairman of Development Staff.

Has full responsibility for Policies, Inspections, Reports, Research, Costs, Charts, Business Surveys, etc., including Credit and Collection Policies, Business Promotion Policies, Statistical Research, Economic Surveys, Accounting Policies, Financial Policies and Foreign Policies.

CHAPTER VI.

THE COMMISSION OF THE CONSTITUTION

THE COMMISSION OF THE CONSTITUTION

The Commission of the Constitution is a body of five members, appointed by the President, and its functions are as follows:

Composition of the Commission

It is an independent body of five members, appointed by the President.

Functions

The Commission is responsible for the interpretation of the Constitution, and for the resolution of any disputes which may arise between the different branches of the Government. It also has the power to advise the President on any matter relating to the Constitution.

The Commission's Powers

In the exercise of its functions, the Commission has the power to call for any document or information which it may require.

and foreign.

The Commission's Composition

Has full responsibility for the Commission's work.

Research, Council, General, and other matters, and the Commission has the power to call for any document or information which it may require.

Vice President, Domestic Branch Operations.

In control of all Domestic Branch activities. Is responsible for carrying out Policies approved by Development Staff. He has a number of assistants to each of whom a given number of branches report.

Vice President, Financial Sales Department.

Controls and supervises the activities of the Financial Sales Representatives, contacting with and handling the borrowing operations with banks. Is also charged with the responsibility of keeping the Corporation amply supplied with funds.

Vice President, Foreign Department.

In charge of all Foreign Operations of the Corporation.

Treasurer

Has custody of funds, and is responsible for all accounting and records, including those maintained by the statistical organization located in the Executive Office.

Secretary

Minutes of Board and Committee meetings; taxes and custody of documents and Corporation Seals.

Comptroller and Auditor

Supervision, control and audit of corporate property, assets and borrowings. Authenticates by signature or by signatures of duly appointed agents short term notes of the Corporation-also super-

Section 10. Powers and Duties of the Board of Directors.
The Board of Directors shall have the general and exclusive management of the business of the Corporation, and shall see that all orders and resolutions of the Corporation are carried into effect. It shall also see that the Corporation complies with all laws and regulations of the State and of the United States. It shall also see that the Corporation complies with all orders and resolutions of the Board of Directors.

Section 11. Powers and Duties of the President.
The President shall be the chief executive officer of the Corporation, and shall see that all orders and resolutions of the Board of Directors are carried into effect. He shall also see that the Corporation complies with all laws and regulations of the State and of the United States. He shall also see that the Corporation complies with all orders and resolutions of the Board of Directors.

Section 12. Powers and Duties of the Vice President.
The Vice President shall be the second in command of the Corporation, and shall see that all orders and resolutions of the Board of Directors are carried into effect. He shall also see that the Corporation complies with all laws and regulations of the State and of the United States. He shall also see that the Corporation complies with all orders and resolutions of the Board of Directors.

Section 13. Powers and Duties of the Secretary.
The Secretary shall be the chief administrative officer of the Corporation, and shall see that all orders and resolutions of the Board of Directors are carried into effect. He shall also see that the Corporation complies with all laws and regulations of the State and of the United States. He shall also see that the Corporation complies with all orders and resolutions of the Board of Directors.

Section 14. Powers and Duties of the Treasurer.
The Treasurer shall be the chief financial officer of the Corporation, and shall see that all orders and resolutions of the Board of Directors are carried into effect. He shall also see that the Corporation complies with all laws and regulations of the State and of the United States. He shall also see that the Corporation complies with all orders and resolutions of the Board of Directors.

vises Corporation's Auditing Department. In Charge of periodical audits of all branches of the Corporation, reporting to the President.

Development Staff

This Staff is comprised of a representative of each Operating Department and is responsible for Policies, Inspections, Reports, Research, Costs, Charts, Business Surveys, etc., including Credit and Collection Policies, Business Promotion Policies, Statistical Research, Economic Surveys, Accounting Policies, Financial Policies and Foreign Policies.

Administrative Staff

This Staff is comprised of Vice President in Charge of Administrative Staff, Vice President in Charge of Borrowing Operations, Vice President in Charge of Domestic and Canadian Branch Administration, Vice President in Charge of Overseas Administration and Treasurer and is responsible for the carrying out of all Policies approved by the Development Staff.

Auditor

In charge of periodical audits of all branches of the Corporation, reporting to the President through the Comptroller.

times Corporation's auditing department, in terms of practical
audits of all members of the Corporation, reporting to the

President.

Investment Staff

This staff is comprised of a representative of each operating
Department and is responsible for the financial, investment, security,
research, bonds, stocks, business insurance, etc., of the Corporation
and Collection Policies, business promotion policies, educational
Research, economic matters, accounting policies, financial policies
and foreign policies.

Technical Staff

This staff is comprised of those individuals in charge of technical
and creative staff, who function in the area of Engineering, Operations,
Production, Research and Development, and Maintenance. This staff
is responsible for the design of products, the design of processes and
equipment, and the design of systems of production and distribution and
transportation and is responsible for the carrying out of all policies
approved by the Management Staff.

Inspection

In charge of general audits of all members of the Corporation,
reporting to the President through the Corporation.

The Administrative Committee

Consists of the President, Vice Presidents and Treasurer.

The purpose of this Committee is generally to act in an advisory capacity to the President; to coordinate all functions of the Corporation, and to clear all important matters of policy and practice before instructions are issued to the branches by the Vice President in Charge of Branch Operations.

The Administrative Committee

Consists of the President, Vice President and Treasurer.
The purpose of this Committee is generally to act in an advisory
capacity to the President; to coordinate all financial and
administrative and to clear all important matters of policy and
procedure before presentation and action to the President by the
the President in Charge of Finance Administration.

THE TYPICAL GMAC BRANCH

At the present time there are sixty-one GMAC branches in the United States and Canada and the tendency seems to be to increase the number of branches and reduce the burden of some of the larger branches. This tendency has a two-fold basis; first, to organize a branch in the larger centers which will be more convenient for the dealers having their place of business near that locality, thereby allowing a closer contact between the dealer and GMAC and, improving and increasing the service which the latter may offer to the dealer. The second cause of the movement to increase the number of branches may be laid to the tendency of decreasing returns on the expected gross and net income of the branch due to its unwieldly size.

May we also mention at this time that when the GMAC was first organized all work was highly supervised or centralized in the Home Office at New York, but as the methods of operation have been simplified, standardized, installed and constantly followed up through the branches, there has been a marked tendency to allow a wider scope of authority and responsibility to each branch. As an example of this change, may we refer to the transfer of accounts to

THE FUTURE OF THE BRANCH

At the present time there are about one hundred branches in the United States and Canada and the tendency seems to be to increase the number of branches and reduce the number of men of the branch. This tendency has a two-fold basis; first, the organization is the larger centers which will be more convenient for the dealers having their place of business near that locality, thereby allowing a closer contact between the dealer and the branch, improving and increasing the service which the latter can offer to the dealer. The second cause of the movement to increase the number of branches may be said to be the tendency of decreasing the number of the expected gross and net income of the branch due to its unprofitable state.

But we also mention at this time that when the U.S.A. was first organized all work was highly supervised or centralized in the New York office at New York, but as the methods of operation have been simplified, streamlined, centralized and constantly followed up through the branches, there has been a marked tendency to allow a wider scope of authority and responsibility to each branch. As an example of this change, say we refer to the transfer of accounts to

reserves. Until approximately one year ago the Home Office approval was necessary before an active account could be transferred to a suspense or loss account but now that responsibility rests with each branch with a final monthly review by the Home Office, This example is merely one of a number of authorities which have been and are constantly being given over to the branch by the Home Office and inasmuch as there seems to be other decisions which still rest with the Home Office but which may be rightfully delegated to the branch, we may look for a continued increase in the powers and responsibilities of the branch.

THE BRANCH ORGANIZATION.

The typical branch organization consists of a Branch Manager, Assistant Branch Manager, Field Manager and Field Department, Credit Manager and Credit Department, Accounting Manager and Accounting Department, Special Collection Manager and Special Collection Department, and Trade Records Department which comes under the supervision of the Field Manager.

The Branch Executive Committee composed of the department heads, the Branch Manager and Assistant Branch Manager, furnishes to the Branch Management a source of advice and counsel in those cases where

collective judgment is desired and guarantees to the Home Office a high degree of insurance against ill-advised action, or the exercise of immature judgment in matters of importance.

THE BRANCH MANAGER¹

The Branch Manager, through the Manager of Branch Operations, is vested with full responsibility for the proper conduct of his branch, in the office and in the field. His function is to administer the policies determined upon by Home Office, to direct and supervise all activities of the branch, rendering decision upon those matters which come within the scope of his authority and making such examinations and inspections as may be necessary to acquaint himself with conditions and to insure that the branch is operating properly. He is also expected to take such interest in the personnel as is necessary to their development; to provide for future contingencies due to growth of the branch; to interview dealers calling at the office and to spend sufficient time in the field to oversee and insure satisfactory conduct of relations between the branch, the sales units, and our clientele. In this latter connection, the Manager charges himself with the responsibilities of advising the Manager of Branch Operations promptly concerning any criticism of GMAC policy or service.

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a high degree of uniformity against ill-considered action, on the
exercise of judgment in matters of importance.

THE BUREAU OF THE

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branch, in the office and in the field. His function is to select
after the policies determined upon by the office, to direct and
supervise all activities of the branch, rendering assistance upon
those matters which come within the scope of his authority and which
require examination and inspection in order to maintain the standard
himself with confidence and to ensure that the work is being
properly. He is also expected to take such interest in the personnel
as is necessary to their development, to provide for their con-
tinuous growth of the branch, to supervise the work of the
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and insure satisfactory conduct of relations between the branch and
other units, and our clients. In the latter connection, the
manager charges himself with the responsibility of advising the
manager of Branch Operations promptly concerning any criticism or
policy of service.

The responsibility of a Branch Manager, where there are so many factors involved and large amounts of money handled, the problem of personnel, and a multitude of details, demands first and foremost, the continuity of constructive thought.

The successful operation of a branch is judged largely of necessity by results accomplished, in connection with which economy of operation forms a very important part, requiring constant study. The comparative reports issued monthly from the Home Office assists branches by making possible a comparison of their rating with that of the other branches, and will bring out those features in each branch requiring special effort to bring into line.

Another important responsibility is the proper supervision of branch personnel and mechanics. It is true that we owe the dealer organization our best service, and most of us are in agreement that this can only be given by personal contact; nevertheless, our service cannot reach its highest point of efficiency unless details within the branch are functioning properly.

The first fundamental therefore, is perfection within the branch. There is not a detail so unimportant but that it should at some time, preferably at stated intervals, be studied either by the Branch Manager or his Assistant.

THE ASSISTANT BRANCH MANAGER¹

The Assistant Branch Manager is responsible to the Branch

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The first fundamental principle, in connection with the
branch. There is not a doubt as to the importance of the branch as
such also, especially as stated previously, in general terms of the
Branch Manager or his assistant.
BY BRANCH MANAGER
The Assistant Branch Manager is responsible to the Branch

Manager for internal operation of the branch in all departments, and makes such examinations or inspections of routine and mechanics as may be necessary to acquaint himself with conditions and to insure that the branch is functioning along proper lines. He is expected to devote such time to the training of personnel as is necessary for their proper development, and in addition, assists in every way possible with the general conduct of the branch as outlined under heading of "The Branch Manager."

THE FIELD MANAGER¹

The Field Manager as head of the department covers all phases of outside contact, including collections, repossessions, business development, new business and the duty of detailing field representatives through the territory on assignments. He must be equipped with sufficient records to assist him in this work and to keep a proper record and control over the Field Force. All work given to field representatives is cleared through him, as are their field reports, expense reports, etc. The Field Manager is responsible for the number of branch cars, their use and upkeep.

The Field Manager analyzes the territory to determine the points at which it will be advisable to station representatives, keeping in mind the desirability of having each representative assigned to a specific territory, the area to be covered, the number and type of

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that the branch is functioning along proper lines. He is expected
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their proper development, and in addition, assists in every way pos-
sible with the general conduct of the branch as outlined under heading
of "The Branch Manager."

THE FIELD MANAGER

The Field Manager as head of the department covers all phases
of outside contact, including collection, representation, business
development, new business and the duty of obtaining field representa-
tives through the territory on assignments. He must be equipped
with sufficient resources to assist him in this work and to keep a
proper record and control over the Field Force. All work given to
Field representatives is cleared through him, as are their field
reports, expense reports, etc. The Field Manager is responsible for
the number of branch cars, their use and upkeep.
The Field Manager analyzes the territory to determine the points
at which it will be advisable to station representatives, keeping in
mind the feasibility of having each representative assigned to a
specific territory, the area to be covered, the nature and type of

dealers in the territory, and the collection situation.

1

THE ACCOUNTING MANAGER

The Accounting Manager as supervisor of all accounting matters, is in full charge of that department, being responsible directly to the Branch Manager. He is also the representative of the Treasurer of the Corporation in the branch, and as such, is custodian of funds, negotiable documents, records, repossessed cars, and all collateral of whatever nature.

2

THE CREDIT MANAGER

The functions of the Credit Manager are executive as to any matter upon which he has authority to act, and advisory as to such matters as have been reserved for decision by the Branch Manager or the Home Office. Briefly defined, his duties are to exercise general jurisdiction over all matter pertaining to credit and collections within the territory of the branch, subject to conditions imposed by the Home Office, and to such control as the Branch Manager may elect; to make frequent examinations to keep himself thoroughly familiar with conditions and to insure that the department is functioning properly; to preside at credit and educational meetings; to exercise such control and supervision over the department personnel as is necessary to guide operations and to develop individuals along proper

...in the territory, and the collection of...

THE TERRITORY

The territory is a vast area of land, and it is in the interest of the Government to have a complete knowledge of its resources. The first step is to determine the extent of the territory, and then to determine the resources of the territory. This is done by sending out explorers to the territory, and by having them report back to the Government. The explorers are given a certain amount of money, and they are given a certain amount of time to complete their mission. The Government then uses the information that the explorers have gathered to determine the resources of the territory. This information is then used to determine the value of the territory, and to determine the best way to develop the territory.

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lines; and to supervise the conduct of our relations with our clientele to the extent necessary to promote our interests and that of General Motors to the utmost advantage along credit lines.

Details of the position includes in addition to supervision, the approval of credit limits, as well as all forms, reports, etc., prepared within the department.

The Credit Manager also attends meetings of the Executive Committee; signs and keeps a list of all guarantee forms; interviews and selects Credit Department personnel in cooperation with the management, maintains a follow-up on repossessed cars; prepares monthly report to Home Office; attends meetings of the local Credit Men's Association; visits large dealers in the territory to accomplish such other field work as may be designated by the Branch Manager. He accepts responsibility for confining the operating expense of his department within proper limits and to this end rearranges territorial lines of the credit sections as frequently as may be necessary to conform to constantly changing conditions, so as to operate as efficiently and as economically as possible.

THE SPECIAL COLLECTION MANAGER

The Special Collection Manager has charge of that Department which handles accounts on which losses have been suffered due to the

...; and to supervise the conduct of the ...
... to the extent necessary to provide ...
... of General Motors to the ...
... of the ...
... approval of credit limits, as well as all forms, reports, etc.,
... within the ...

The Credit Manager also ...
...; also and keeps a list of all ...
... views and ...
... the management, ...
... reports to the ...
... Credit ...
... may be designated by the ...
... manager. ...
... of the ...
... of the ...
... may be necessary to ...
... to operate as efficiently and as economically as possible.

THE CREDIT MANAGER'S ...

The ...
... which handles accounts on which ...

conversion, collision, or confiscation of the automobile and also, all retail and wholesale losses.

He is the branch representative on all cases involving litigation and is responsible for the maintaining of the litigation files and records.

All collection cases which originate in other GMAC branches are under his direct supervision and he has the direct responsibility for the education of the Credit Department personnel in an effort to avoid further losses. Furthermore, through his broadened experience and specialization, it is his duty to offer advice in the handling of accounts which have a troublesome aspect.

THE ORGANIZATION OF THE BRANCH FIELD REPRESENTATION 1 DEPARTMENT

If all dealers and distributors were properly educated on the subject of successful merchandising from a financial viewpoint, and were well versed in good credits, the necessity of prompt collections, etc., the GMAC problems would be reduced to a minimum. It is impossible to attain highest efficiency in matters of service to General Motors and General Motors dealers and customers until complete and sympathetic cooperation is secured from all dealers. This type of cooperation cannot be obtained without constant efficient and diplomatic contact by experienced and responsible representatives.

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specialization, it is his duty to offer advice in the handling of

accounts which have a reasonable degree.

THE EXECUTION OF THE CREDIT DEPARTMENT PERSONNEL

1 EXECUTIVE

If all details and distribution were properly executed in the

subject of accounts receivable, the financial, operating, and

costs will be reduced to great extent. The necessity of having a detailed

etc., the BNC problem must be reduced to a minimum. It is the

aim to attain highest efficiency in matters of control in general

loans and General Motors details and accounts which originate from

general-to cooperation is secured from all details. This is the

cooperation must be obtained without financial efficiency and the

lowest cost by experienced and responsible representatives.

It has been demonstrated that the failure to recognize the necessity of such efficient contact in the field has resulted in heavy losses by many finance companies.

With this purpose in view the Field Representation Department is organized with responsibilities as follows:

- (a) Educating the dealers along constructive financing lines.
- (b) Eliminating complaints and generally maintaining good will.
- (c) Necessary collections and repossessions.
- (d) Securing the cooperation of dealers to assist in investigating purchasers, passing credits, making collections and repossessions, whenever these functions can be performed by the dealers more efficiently and economically than by GMAC.
- (e) Selling the GMAC plan in the field.
- (f) Such other functions as may result from field contact.
- (g) To maintain adequate records from which to analyze dealer activity and dealer problems.

THE FIELD REPRESENTATIVE¹

In theory each representative in the field represents the GMAC to the dealers and those with whom he comes in contact and must act with due consideration of his responsibility. It is obvious that Field Representatives must be selected on the basis of their general

It has been demonstrated that the failure to recognize the necessity of such efficient contact in the field has resulted in many losses of many valuable specimens.

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- (a) Representing the dealers along continental lines.
- (b) Maintaining contacts and generally maintaining the good will.
- (c) Necessary collection and representation.
- (d) Securing the cooperation of dealers to assist in investigating specimens, securing credits, making collections and representation, wherever these functions can be performed by the dealers more efficiently and economically than by the B.P.D.
- (e) Selling the B.P.D. plan in the field.
- (f) Such other functions as may result from field contact.
- (g) To maintain adequate records from which to analyze dealer activity and dealer problems.

THE FIELD REPRESENTATIVE

The theory and representative in the field represents the B.P.D. to the dealer and those with whom he comes in contact and must act with the cooperation of his responsibility. It is obvious that field representation must be looked on the basis of their general

business training, education, ability, initiative, appearance and resourcefulness.

The work of each Field Representative is judged in accordance with the results obtained, taking the following factors into consideration: Is the greatest proportion of every dealer's business in the territory being obtained with the least operating expense, lowest credit losses, and greatest satisfaction to dealer and purchaser? The area covered will have a bearing on his analysis.

1

THE CREDIT MAN

The functions of the Credit Man are to control all matters of credit within his territory, both wholesale and retail, subject to such authority as the Branch Credit Manager designates, in harmony with the policies determined by the Home Office and administered by the Branch Manager; to supervise the work of those assisting him to insure that all matters for which he is in any way responsible, are being handled correctly and that the records are properly maintained; to build up a spirit of cooperation and helpfulness within his section and branch; to carry out policies in all matters upon which he acts, and to do everything possible to promote the interest of the Acceptance Corporation and the General Motors Corporation in any matter which may come under his jurisdiction. The results accomplish-

business training, education, mobility, initiative, experience and re-
sponsibility.

The work of each field representative is judged in accordance
with the results obtained. Making the following factors into consid-
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to build up a spirit of cooperation and helpfulness within his
section and branch; to carry out policies in all matters upon which
he acts, and to do everything possible to promote the interests of the
Acceptance Corporation and the General Motors Corporation in any
matter which may come under his jurisdiction. The results accomplished

ed within a credit section are to a degree measured by the cost at which they were obtained. With this thought in mind, the Credit Man should strive to introduce economy in every way possible into the work of the section which he controls.

THE ACCOUNTING DEPARTMENT PERSONNEL

The personnel of the Accounting Department as in similar business houses consist of an Assistant Accounting Manager, Cashier, Assistant Cashiers, Discount Clerks, Posting Clerks, Stenographers and File Clerks. Each one in this department is assigned to work which is quite highly standardized and controlled.

GENERAL

The total personnel in any one GMAC Branch differs according to the size of the branch. The number of employees in any one branch may vary from twenty-five or thirty to well over one hundred. The duties of each employee may vary slightly in that it is often necessary for one individual in a relatively small branch to fulfill the duties of two and sometimes three individuals who are employed in a larger branch.

In spite of the manifold routines, and duties each position is highly standardized and controlled thereby allowing a ready means for the comparing of individual performances within each branch and among all branches.

The most direct controls are made possible through numerous daily, weekly, and monthly reports which are summarized within each Branch and in the Home Office. A statement of each Branch's results and the Company results is published monthly and is used for analytical and corrective purposes.

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CHAPTER VII.

THE EXTENSION OF CREDIT TO DISTRIBUTORS,
DEALERS AND PURCHASERS¹Retail and Wholesale Credit Extension To
Distributors and Dealers.

The basis for the extension of both wholesale and retail credit to dealers and distributors is dependent upon;-

- (a) The moral aspect of the account as reflected in our experience; the character of the management, principals, etc., where the business is managed by principals or salaried employees, whether the entire time of the principals is devoted to the business, and, if not, whether other activities are operated separately; separately incorporated, etc.
- (b) The financial aspect of the account as reflected in the financial statement and guarantees held; whether other than General Motors cars are handled, and how they are financed; what guarantee or other security has been given to other creditors, etc.
- (c) The economic aspect of the account including a consideration of the diversification of industry in the dealer's locality, the possibility of a local depression due to

strikes, shut-downs, crop failures, etc., and the prospect of a continuance of normal condition.

- (d) The capacity and ability of the dealer to successfully manage his business and make a profit under varying circumstances.
- (e) The results of investigations conducted through credit rating and reporting companies, Chambers of Commerce, banks, other business houses, the automobile factory or factory representatives, and references.

After both wholesale and retail credit limits have been set up for the distributor or dealer the factory is notified, for it is vitally interested in the limits so that it may control the number of cars to be shipped. In the case of an associate dealer or a dealer working under a distributor, the distributor is informed of the credit limit set up so that a constant check may be made of the dealer's outstandings. These limits are made after the receipt, analysis and investigations of the dealer's financial statement, which must be received by the GMAC branch at least twice a year. Likewise, whenever the credit limits are

changed the factory or distributor is notified of the new limits.

If for any reason there seems to be no basis for the extension of any credit or it is necessary to suspend or cancel the dealer's credit lines, the factory, factory branch, or distributor is immediately notified and in the latter case it is usually the policy of the Corporation to discuss the matter in detail with the factory or distributor before credit is definitely cancelled. Credit is usually re-instated only after a conference between the factory or distributor and GMAC.

The Extension Of Credit To Purchasers.

Credit is extended to purchasers on the basis of the purchaser's application for credit attached to which is the signed and executed conditional sales contract, chattel mortgage, or lease as the case may be. The type of legal instrument depends entirely upon the laws of the state in which the purchaser is buying the automobile. The statement requires very pertinent information relative to the purchaser, his moral and financial responsibility, income, reserve assets, business connections, age, references, etc.

Each branch maintains a file of experience with all former purchasers and this may be supplemented by an investigation or credit

report on a questionable credit risk.

These methods of passing upon the desirability of financing an automobile for a purchaser are further supplemented by our experience with the dealer in that it is the dealer who is merchandising; he is in a far better position to pass upon the credit responsibility and the general reputation of the purchaser than is a member of the Credit Department. In other words, the dealer sells the car and extends the credit subject to the careful review of GMAC and its right to reject the contract. Furthermore, the dealer realizes that the sound merchandising of automobiles is dependent upon proper sales effort and credit extension on his part. He also has a certain moral, financial and legal obligation to the Corporation. More will be said later as to the dealer's legal obligation as outlined in the GMAC Retail Purchase Plan #101, and under the Dealer's Recommendation, Assignment and Guaranty.

The GMAC rates and Retail Purchase Plan are so set up that the dealer has a means of "fitting the plan to the purse". Experience has proven that in the interests of sound automobile selling a purchaser should pay on or before delivery in the form of cash and, or in trade-in allowance on another car a minimum of thirty-three and one third percent of the cash delivered price on cars less than two years

old, and a minimum of forty percent on cars over two years old. The larger the down payment the less the credit risk usually is, for experience has proven that the greater the investment a purchaser has in an automobile the better care he will take of it.

If the credit risk is considered to be satisfactory and the dealer's figures covering the sale and financing of the automobile are correct, the contract is purchased and the dealer receives the GMAC check for the difference between the cash selling price of the car and the "on and before delivery" payment which is often called the down payment. Through this method the dealer has the same return on the sale as though the car had been sold for cash.

The purchaser usually makes equal monthly payments to the branch and in this way pays the difference between the down payment and the cash delivered price of the automobile plus the GMAC charge which covers the cost of the fire and theft insurance which amply protects the purchaser, dealer, and GMAC, and in addition, a reasonable return of interest on the money advanced added to the expenses of setting up and maintaining the records of the purchaser.

The rates on used cars are somewhat higher than on new automobiles, but the rate charts used on all transactions are the same throughout the entire United States. The difference in the finance charge is brought about by the difference in the fire and theft insur-

ance rate. These rates differ according to the locality in which the purchaser resides and are based upon a schedule agreed upon by the Fire and Theft Insurance Underwriters and stipulated state laws at various periods.

The charge for financing a relatively large amount of money on an automobile is necessarily larger than when GMAC finances a smaller amount or for a shorter duration of time. This reasoning is used by the dealer in attempting to point out to the purchaser the advantage of making as large a down payment as possible on the automobile.

It is not the policy of the Corporation to accept contracts, the term of which is in excess of twelve months. The only possible exception to this policy is in the case of a high priced car, the value of which under normal conditions will be at least the balance on the account at all times, and the fact that the purchaser is a good financial and moral risk, and there are certain exigencies which require an additional time before the contract date expires. The feeling of the Corporation is that on the whole the extension of credit for a period in excess of twelve months on any one car is not sound business and if it is not sound business for GMAC it is not sound business for the dealer.

The Retail Purchase Plan is further "fitting the plan to the purse" in that it allows for the financing of automobiles under the so-

called "Farmer Plan" by which a contract is drawn up so that the payments will become due at about the same time as the purchaser will receive his income. As the name implies, this type of contract is sometimes used when selling automobiles to farmers or others who have a relatively large income every three or four months.

Allowance is also made in the plan for extending credit on irregular contracts where the facts justify such, but on the whole the experience of GMAC has been far from satisfactory on these irregular extensions and they are being avoided insofar as is possible.

May we also add at this time that the Corporation will not finance an automobile which is being financed under the Wholesale Plan or under another contract for such is considered as duplicate financing. These cars must be paid for in full before another contract is accepted on these same automobiles.

Furthermore, the GMAC Plan does not contemplate the financing of a car on which a dealer accepts a note or any other acknowledgment of indebtedness other than the mere GMAC contract itself for such financing is not economically sound, it violates the terms of the contract and is not recognized under the Retail Purchase Plan and the agreement between the dealer and GMAC.

In summary, may we again point out that credit is extended only

upon the basis of sound merchandising, salesmanship, credit extension, and economic and legal principles as reflected through the judgment of the dealer and the personnel of GMAC. This does not mean, however, that the dealer is the agent of GMAC for the latter is merely a commercial credit company or bank and is absolutely divorced from automobile merchandising or manufacturing.

THE WHOLESALE FINANCING PLAN¹

The GMAC Wholesale Plan merely supplements the local bank lines of a dealer as it is required that each dealer establish a line of credit with his local bank. This allows the dealer to have a resort in case of emergency and as a means for balancing his use of the GMAC Wholesale Credit Plan. In this way, neither the bank nor the GMAC are strained by the dealer at any time.

The Wholesale Plan allows a dealer to stock cars at a minimum cost in that he is able to have on his floor roughly eight cars costing him \$1,000 each for payment of approximately \$1000. This is brought about by the fact that the dealer may pay but 10% of the net invoice price of the automobile plus 1% which represents the GMAC charge at his bank and then take delivery of the car. The GMAC finances as a maximum 90% of the net invoice price of an automobile and receives as a return for its services 1% plus 6% interest after the cars have been financed over seventeen days. These rates compare most favorably with the charges of any bank. May we mention that this Plan has certain advantages to the factory in that it allows a dealer to stock cars and the factory to produce on a much more even basis than if the dealer were forced to pay the total invoice price at the

time of taking delivery of the cars.

Furthermore, the GMAC charges include the cost of fire and theft insurance on the automobile thereby amply protecting the dealer against losses through these causes.

As a means of allowing a little leeway to the dealers, the Plan extends a special demonstrating privilege to all but Chevrolet dealers upon payment of the 15% charged on the balance due the GMAC on the automobile. This is merely an emergency demonstration privilege where a possible sale may be lost through the dealer's inability to demonstrate the particular car. In the interests of good business and in order to protect the trust receipt and promissory note under which wholesale cars are financed by the Corporation, a car must be paid for in full within sixty days after the demonstration privilege has been paid.

Immediately upon the sale of any car which is being financed under the wholesale plan the dealer must pay the balance on the automobile to the Corporation thereby releasing it from trust.

The Plan, however, forbids the selling or otherwise disposing of the car without releasing the car from trust. As a means of definitely determining whether the trust receipt has been violated each wholesale car is checked at least once a month. Furthermore, the car may not be demonstrated without the payment of this privilege except in the case

of Chevrolet cars where there is no demonstration privilege.. If the word demonstration has been abused or misinterpreted by the dealer, he must pay the balance plus interest, if any, on the car.

Wholesale Note Receivables.

The length of time which a promissory note has to run before maturity depends entirely upon the season of the year, selling conditions, models being financed and experience with the dealer. The average note runs for four months and may be renewed at the request of the dealer, with the approval of factory or distributor and of the GMAC Branch. Before the renewal is completed a car check is made of the car on which a renewal is requested, the dealer must pay the past due interest and reduce the principal on the car from \$50.00 to \$100.00 depending upon the make of the car. The term of the renewal depends upon economic conditions, the season of the year, the type of car and our experience with the dealer. The average length of a renewal is two or three months. In no case, however, will the GMAC finance a car under its Wholesale Plan for a period over nine months.

GMAC And The Factory.

The factory is informed weekly of the number of cars which may be shipped through the GMAC Plan to each dealer. This cooperation affords

the factory a means of ascertaining how quickly the dealer is selling the cars and also allows it to ship a carload of cars sight draft or through the dealer's bank.

May we mention at this time that the factory does not make a practise of shipping all cars under the GMAC Wholesale Plan. It may ship two or three carloads in this way and then one or two sight draft to be assured that the dealer has sufficient capital and is solvent at all times, and then several carloads to be financed through the dealer's local bank so that the latter may have an opportunity to earn a reasonable return for the financing of cars and for the miscellaneous services which the bank renders to the dealer in the ordinary course of business.

The cars for which warehouse receipts are issued, are stored in a public licensed warehouse but the principles of this Plan do not differ materially from the Plan outlined above.

Distributor or Direct Dealer.

Up to this time we have considered the Wholesale Plan as a whole and have not differentiated between distributors, direct dealers and associate dealers. The distributor or direct dealer has a certain obligation in the event that the associate dealer fails to pay for an automobile by the expiration date of the note. This liability on the part of the direct dealer is covered in the so-called "Repurchase Agreement"

which many of the dealers have with the GMAC, or the factory branch or the dealer may be held legally responsible on the basis of his endorsement of the note.

Many times it is deemed more economical and convenient to ship cars direct to an associate dealer rather than through a distributor or direct dealer. This is known as the short-cut shipment, but not even in this way is the distributor or dealer able to disregard the provisions of the Repurchase Agreement or his obligation as endorser of the promissory note.

The Repurchase Agreement in short, is an agreement entered into between a distributor or dealer and the GMAC whereby the distributor or dealer will repurchase at any time upon demand a car financed for one of its associate dealers wherever the car is located or regardless of its condition.

In the event that the Corporation is unable to repossess the car because of a prior lien, title or interest within fifteen days after the maturity of the original note or the renewal note, the distributor or dealer agrees to pay to the GMAC upon demand 25% of the amount stated due on the car and if subsequent to fifteen days after the maturity it will pay 100% upon demand.

According to the ~~text~~ of the promissory note the distributor or direct dealer might be held 100% responsible but the Corporation has waived this

right under its Wholesale Plan.

Although it is not mandatory for a distributor or direct dealer to sign a Repurchase Agreement by far, a vast majority have seen the possible protection offered and have willingly signed it.

1
THE GMAC RETAIL PURCHASE PLAN #101.

The GMAC Retail Purchase Plan #101 under which all General Motors dealers, who are availing themselves of the credit offered by GMAC operate, has been so devised that if a dealer merchandizes soundly he will suffer no losses. The Plan, furthermore, aims to standardize charges, and places automobiles in the hands of retail buyers at the lowest possible cost, thereby building up good will for the dealer. This method under which the dealers operate is a recourse plan as it is felt that such is preferable from a sound financial, moral and good will viewpoint to the non-recourse plan of credit extension.

The GMAC charge includes fire and theft insurance based upon eighty percent of the cash selling price of the car; it includes a cash credit reserve for the dealer and covers the cost of all forms and for the credit and collection services rendered by the Corporation.

The Plan Itself

Mention has already been made of the dealer's responsibility in the selection of purchasers with the ability and willingness to meet the obligation. Every GMAC branch, however, follows up and advises each dealer of delinquencies and cooperates with the dealer in effect-

THE GMAC RETAIL PURCHASE PLAN

The GMAC Retail Purchase Plan is a plan which all General Motors dealers, who are willing themselves of the credit offered by GMAC operate, has been so devised that it is a dealer's responsibility to sell either on loan, the plan, furthermore, aims to standardize charges, and places emphasis in the hands of retail buyers at the lowest possible cost, thereby insuring up good will for the dealer. This method under which the dealer operates is a recourse plan as it is felt that such is preferable from a sound financial, moral and good will viewpoint to the non-recourse plan of credit extension.

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ing payments on the accounts and in repossessing the automobiles.

Under the Plan the dealer agrees to take back at any time any repossessed car, as is, but subject to the protection GMAC gives the dealer on losses from conversion, confiscation and collision; - the 3C coverage; - more about which we shall mention later.

In the interests of sound business the Plan does not contemplate that GMAC will finance an amount on a used car in excess of the amount of the fire and theft insurance thereupon. If after a consideration of the car itself and the used car market conditions existing at the time that the car is sold, the cash selling price is in excess of the market value of the car, or in other words, if the cash selling price is distinctly inflated, GMAC reserves the right to limit the fire and theft insurance and the dealer's 3C protection on the automobile. This is a means by which the Corporation aids in controlling a possible inflation of the used car market valuations and also, assures itself that there is at all times the proper collateral behind the Notes and the Bills Receivable of the Corporation.

The Dealer's Protection

The so-called dealer's 3C coverage which has been already mentioned is a means of protecting dealers against losses resulting from con-

version, confiscation, and collision. It is unnecessary to go into the details and ramifications or definitions as to these loss classifications other than to state that if an automobile falls within the category of a confiscation or conversion and is returned to the dealer within ninety days after the default on the contract the dealer is responsible for the balance on the account. If the car is returned after the ninety day period has elapsed the dealer pays GMAC the value of the car, as is, at the time it is returned. This clause in the agreement allows both the dealer and GMAC sufficient time to protect themselves.

A somewhat different problem arises in the case of an actual collision damage to the car. The settlement is made with the dealer only on the basis of the purchaser's inability to meet his obligation as a result of the collision, the return of the car or salvage to the dealer, the cost of repairing the actual damage to the car, the value of the car as is and after repairs have been made to place it in a saleable condition.

When such a loss occurs GMAC makes a settlement whereby the dealer will stand no loss and the Corporation a minimum loss.

Sufficient reserves are set up and maintained for any losses due to the collision, confiscation or conversion of the automobile.

There are certain conditions, however, under which GMAC will not

protect a dealer against 3C losses. These may be summarized by stating that there is no coverage where the dealer fails to comply with the Retail Purchase Plan, where he sells a car to one in his employ or a member of his household, where the dealer guarantees the contract, where the car is to be used as a taxi, or where the dealer fails to conform to the laws of the state in selling automobiles or to the contract laws. It is felt that sound business dictates that 3C protection is unwarranted in such cases.

The Corporation deducts from its charges a certain amount which it sets up as a cash reserve for the dealer and which is forwarded to him during the month in which the specific account pays out. This reserve covers any loss which the dealer might have had to suffer on a repossessed car and is also a means of paying uncertain contingencies. The monthly reserve check to the active dealers having a fairly large credit line sometimes amounts to three or four thousand dollars and this in itself is certainly an inducement to finance through the GMAC Retail Purchase Plan.

CREDIT EXTENSION, COLLECTIONS AND REPOSSESSIONS.

The Plan contemplates that the dealer shall select the credit risks, and where collections and reposessions are able to be made more economically by the dealer, he will do so. The thought behind this method is that the dealer being responsible on every contract which he submits will see to it that the obligation is paid or the car repossessed. Furthermore, the dealer is allowed in this manner to check the collateral behind the note and also to continue to keep in contact with the purchaser and, possibly, sell him another automobile at some future date. This is merely a part of the "Goodwill Program" of the General Motors Corporation.

Where collections and reposessions may be made more economically by the representatives of the GMAC, such as in congested areas, the Corporation will render these services.

The primary responsibility of the GMAC, therefore, is that of educating the dealer and the dealer's personnel so that this work may be accomplished economically and efficiently.

A SUMMARY OF THE PROVISIONS OF THE CONDITIONAL SALES CONTRACT

The Conditional Sales Contract by which the automobile is sold to a purchaser sets forth in detail a description of the car and the terms of the sale; i.e. down payment, deferred balance including finance charges, number and amount of the installments, date of payments, interest charges, and collection and legal fees, if such are necessary.

The provisions also cover in detail the fact that equitable title to the car remains with the GMAC until the account is paid in full. There are also certain detailed provisions relating to the purchaser's responsibility in cases of attachment, collision, bankruptcy, loss, default on the contract and the Corporation's right under such conditions. Spaces are set forth for the signature of the purchaser, co-maker, guarantor and witnesses to the contract and for the dating of the contract.

The Dealer's Recommendation, Assignment and Guaranty.

Under the Dealer's Recommendation, Assignment and Guaranty, which is also a section of the original contract, are set forth certain statements relative to the sale, that is; it is a bona fide sale, that the purchaser is a purchaser in good faith, his application for credit and the statements set forth on the purchaser's statement are to the

best of the dealer's knowledge correct, and that there are no other liens upon the automobile. The dealer also assigns for a certain consideration his interests in the contract and the automobile. The contract is assigned for the consideration that the dealer will pay to the GMAC upon default on the contract and demand, the balance upon the contract subject to the terms of the GMAC Retail Purchase Plan #101 discussed previously. This section of the contract is also signed by the dealer.

The Guaranty

The Guaranty section of the contract contains the provisions usually found on any guaranty and when necessary this section is signed by a proper party.

Inclusiveness Of The Contract Provisions.

The Conditional Sales Contract contains provisions which are most inclusive and detailed and allows practically no way in which a purchaser, dealer, or guarantor may violate its terms. The contract is the basis for the transaction and for any legal action which might have to be instigated against any or one of the parties to the contract.

THE RESPONSIBILITIES OF THE PURCHASER

After credit is extended to a purchaser he has certain legal and moral obligations most of which are outlined in the conditional sales contract, lease, or chattel mortgage which he signs as a proof of his indebtedness to the Corporation.

These obligations may be briefly listed as follows:

1. Payments are due at the office of the GMAC on or before the due date as outlined in the contract or mortgage.
2. If payments are tardy in reaching the office the purchaser is responsible for any interest thereon.
3. If it is necessary to place the account in the hands of an attorney for collection, the purchaser is liable for 15% of the amount due which represents attorney's fees or if prohibited, the amount prescribed by law.
4. The GMAC holds equitable title to the automobile until it is paid in full.
5. The purchaser is not relieved of his obligation because of loss, injury or destruction of the automobile, nor because of transfer, renewal, extension, or assignment of the contract.
6. If the property is in danger of misuse, confiscation, or the

THE RESPONSIBILITIES OF THE PURCHASER

After credit is extended to a purchaser he has certain legal and moral obligations most of which are outlined in the conditions of sales contract, lease, or chattel mortgage which he signs as a part of his indebtedness to the Corporation.

These obligations may be briefly listed as follows:

1. Payments are due at the office of the CMC on or before the due date as outlined in the contract or mortgage.
2. If payments are tardy in reaching the office the purchaser is responsible for any interest thereon.
3. If it is necessary to place the account in the hands of an attorney for collection, the purchaser is liable for 10% of the amount due which represents attorney's fees as if prohibited, the amount prescribed by law.
4. The CMC holds equitable title in the automobile until it is paid in full.
5. The purchaser is not released of his obligation because of loss, injury or destruction of the automobile, nor because of transfer, renewal, extension, or assignment of the contract.
6. If the property is in danger of seizure, confiscation, or the

purchaser defaults on the contract or is involved in bankruptcy, receivership or insolvency at the election of the GMAC the full amount may be declared due and payable.

7. There are also other provisions relative to keeping the collateral free from other losses, taxes, encumbrances, etc. and also, limitations relative to the purchaser's rights in renting the car or taking it out of the state.

Chapter 12. The "Good Will" Policy.

Chapter 13. The Personal Policy.

Chapter 14. Renting Corporation.

SECTION IV.

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CHAPTER VIII.

METHODS OF OPERATION, ORGANIZATION, AND CONTROL¹

The Open Mind

Mention has already been made of certain changes which have recently taken place in the organization of the activities of a branch, such as the Territorial Manager Plan. Means have also been provided to "better fit the Retail Purchase Plan to the purse."

These are merely two of the many changes which are constantly being made to improve the operations, organization and services being rendered by the General Motors Corporation and its subsidiary and related organizations. It is the so often boasted of "Open Mind" attitude which permeates the entire organization. The results of today will not be looked upon one week hence as satisfactory. The facts must be obtained and then analyzed with an open mind and improved methods placed into operation, which in the end constitute progress.

Analysis, Simplification, Standardization, and Control.

As noted above, there is an ever present search for a better method. Each problem or operation is analyzed, it is simplified, thereby breaking it down to a number of operations, a method which for the time being at least is proven as the best method is arrived at, each step in the given method is most highly standardized throughout the entire organization, and lastly, a very definite means of follow up and control is set up and main-

tained. Insofar as is possible each operation is most highly standardized and constantly checked.

Very often objections have been raised to this method of conducting business on the grounds that standardization and control curbs initiative. This contention has absolutely no foundation as experience, studies, and psychological experiments have definitely proven that there is but one correct and one most economical way of doing a single operation. When each operation becomes standardized the worker sets up a routine thereby allowing him to give less attention to the specific operation and more time to analyze the problems which are not able to be standardized in that each differ within themselves. Furthermore, standardization is absolutely essential in a large organization so that the policies, methods, and results may be controlled or compared.

There is always a means of demonstrating one's initiative to the Home Office which maintains a separate suggestion department. The Corporation has always been most ready to accept suggestions from all employees.

Control of Methods.

The mere standardization of operations in itself is not sufficient to assure the proper methods of operation. Therefore it is always necessary to have some form of follow up or control. This method of control

may be brought about by any of a number of methods.

Internal Branch Control and Inspection.

In each branch a continual follow up and control is maintained through periodic inspections and reports by the department heads, Manager and Assistant Branch Manager.

Auditing of the Branch

The Home Office provides another source of control through its auditing staff, members of which visit each branch periodically and make a thorough audit. The results of the audit are reported to the Home Office which reviews them with the Branch Manager.

Credit Inspection

Each branch also comes under the periodic surveillance of the Home Office Credit Inspection Staff which is composed of former branch personnel who are being trained for Executive positions in the Corporation. These men have all had considerable experience in branches and are granted an opportunity to "brush up" on the methods of operation and to train themselves to be on the alert for certain conditions when they become Executives. The credit inspection system has a twofold effect of checking the operations of each branch and of educating and broadening the experience of the future Executives.

The report of these inspectors is used as a means of education within each branch.

Line of Responsibility.

The line of responsibility throughout the entire Corporation is such as to center responsibility upon each individual and at the same time affords each one a means of following and controlling his decisions, work, and results.

Educational Meetings.

The educational meetings act as a further means of maintaining and providing for methods of control. These meetings which are held under the supervision of each department head offer an opportunity to acquaint the personnel with the new policies and methods of the Corporation and also afford a means of checking them to be sure that everyone is conducting each phase of his work in the manner set forth in the Branch Administration Manual.

There is a constant checking, cross-checking, and re-checking of methods and results in order to be certain that each individual is carrying out the instructions which set forth in detail the standardized routine for almost each phase of every operation.

State Audit and Inspection.

A further means of control, but one perhaps not so detailed, is afforded by the state inspection and audit by which the state is assured that

each branch and the organization itself is operating in accordance with the State and Federal laws and that its figures and results are correct.

Conclusion

From the above remarks it is very evident that there is a continual search for a better method, each operation is most highly standardized, in universal operation throughout the Corporation and a constant check is made to assure everyone that the instructions are properly followed.

CHAPTER IX.

THE "GOOD WILL" POLICY

As will be pointed out later, the GMAC has met with unusual success in its field of endeavor. This success is due not only to the organization itself and its policies, but also to the satisfactory business conditions with the possible exception of the year 1921. In general, everything has been in the favor of the Corporation. What of the future, however?

Approximately two years ago the Executives of the Corporation started a "Good Will" program with all those with whom the Corporation comes into contact in any way. Although it has always been realized that the success of any business undertaking depends to no small degree upon the attitude of the people with whom it is dealing, the often called "fickle and fussy" public, no definite policy seems to have been entered into until the past two or three years. As a result of this "Good Will" program a public relations department has been set up and the functions of this department have to do with the promotion of good will through every possible means. The policy seems to give purchasers the benefit

of any possible doubt which may arise and in any event that intangible something called good will must be built up and maintained.

During the past few months there has been a marked change in the collection system. Experience has proven that 29% of the purchasers never allow their accounts to become delinquent, 36% pay within five days after the account becomes due, 25% are considered as slow and irregular pay, and on the accounts of a little over $8\frac{1}{2}\%$ of the purchasers repossession or a loss results. In other words, as our collection system is set up approximately 71% of the total purchasers for whom the GMAC is financing an automobile hear from the Corporation sometime during the life of the contract. The Corporation, therefore, is able to create good or ill will with by far a majority of the purchasers through its correspondence and personal contacts. When further consideration is given the fact that the General Motors Corporation sells approximately 50% of all automobiles sold and that one half of these are financed through the GMAC, the question of good will assumes a more important aspect as regards not only this country but also the entire world.

Contacts through both correspondence and personal calls by the GMAC representatives must be such that the good will of the Corporation is enhanced and the failure of any employee to do his share in developing

and holding the good will of the purchaser is a very serious offense. The good or ill will extended by the GMAC usually has a direct bearing upon whether or not we shall have a repeat purchaser.

Likewise, this good will program has been extended to our relations with all dealers for the future of this organization depends upon the attitude of the dealers who are being continually approached by competing finance companies.

Transfers of Equity

As a part of the good will program the Corporation under certain circumstances allows a purchaser to transfer his equity in an automobile to another party with the approval of the dealer and the Corporation. This procedure is approved when there is sufficient cause for such a transfer and may often avoid a repossession where the original purchaser, due to some unforeseen exigencies, has been unable to meet further payments on the account. The original purchaser is still liable on the contract but where the third party is morally and financially able to assume the obligation it is very rarely that recourse must be sought through the original purchaser.

The Corporation, however, will not be a party to such a transfer if its direct or indirect result is to avoid the law, such as in cases of attachment, and bankruptcy.

Retail Renewals

During the past few months considerable emphasis has been laid upon the advisability of renewing retail accounts where the purchaser represents a satisfactory moral risk and has met with merely temporary financial reverses. A renewal is approved only after a detailed study of the specific account, the purchaser's integrity, and the present and probable future financial status of the purchaser.

This is one more means of building up the good will of a purchaser towards the Corporation and thus far the results have been most satisfactory.

Approximately one year ago the states of New Hampshire, Vermont, and part of western Massachusetts passed through a period of economic depression due to the severe flood. Many purchasers were left penniless for the time being. Instead of repossessing the automobiles or the remains of the automobiles which resulted from the disaster, the Boston Branch had representatives interview each purchaser and discuss the advisability of having a retail renewal or a repair note drawn up. The purchasers in the stricken area were only too pleased with the suggestions and as a result, the number of automobiles repossessed were kept to a minimum, the Corporation lost not one cent because of the flood and of great importance is the fact that unmeasurable good will was built up between the purchasers, dealer, and GMAC.

This method of handling such an acute situation clearly demonstrates the fairness and foresight of the Corporation and certainly proves that there is some social and economic justification for this enterprise. The GMAC proved to be of great service during that emergency.

Financing Repair Bills.

At times the occasion arises where a car has been in a serious collision but after repairs are made it will be worth the balance on the contract plus the repair expenses. Possibly the purchaser is unable to pay the entire repair bill and at the same time keep his account on a current basis. Where such a situation exists and the purchaser is a satisfactory risk and his financial status is such as to allow some consideration by GMAC the Corporation may pay the repair bill on the automobile and draw up a repair note which the purchaser may liquidate by monthly payments. After the repair note is entirely paid he again starts to make payments upon his account.

This means of being of service to purchasers is very satisfactory in cases where an insurance settlement is pending.

For this service, as in the case of retail renewals, the Corporation makes a reasonable finance charge.

The Contract Date and The Income Date

A recent analysis has disclosed the fact that a high percentage of

current delinquency has been caused by the fact that the payment date, which in the past has been the date of the month on which the contract was originally signed, does not coincide with the date during each month on which the purchaser receives his income. To allow the Retail Purchase Plan to better "fit the purse" and eliminate a great deal of heretofore unnecessary work by the Credit and Collection Department, a space has been provided on all contracts and mortgages in which the purchaser may set forth the day of the month on which he wishes his payments to become due and payable. The latitude so given is fifteen days previous or after the date set forth on the contract itself.

Studies have been made to ascertain whether dealers are taking undue advantage of this allowance or whether they are not taking advantage of it. If the latter condition exists it is felt that the dealer is not selling the financing service properly. The former condition may be readily corrected through educational work with the dealer. It is gratifying to note that on the whole the dealers are taking reasonable advantage of this "income date" and are not imposing upon this method of the Corporation in aiding the increase of their retail sales.

The Field Representation Department

Until a few months ago, the field department representatives made collections, repossessions and contact calls with the dealers. As a

result, nearly sixty percent of the General Motors Dealers have been attracted by the merits of the GMAC service. There is still, however, forty percent of the dealers who have not availed themselves of the GMAC plans probably because they have not been properly presented and sold to them.

As a means of pointing out to those dealers who are not availing themselves of the GMAC plans and to assure continual contact and aid to all dealers, the so-called Territorial Manager Plan has been placed into operation recently. This plan provides for one Territorial Manager for each key point in the territories in which a branch operates, who will be solely responsible for carrying the authority of the branch into the field. This plan insures greater frequency of dealer contact, places the full responsibility on the Territorial Manager for the building up and maintenance of good will, and the dealer will be given the advantage of the Corporation's vast experience and counsel and will find that the closer personal contact will open up a wider market for the sound sale of his products and so increase his profits.

The Territorial Manager is directly responsible for the acts of the field representatives who work directly under him on collections and repossessions. It is the duty of the Territorial Manager to build up and maintain the good will of all dealers and purchasers and he has the right

to make all decisions in the field subject only to the approval of the Branch Manager.

This method of operation assures that direct responsibility is being centered upon the best representatives of the branch.

CHAPTER X.

THE PERSONNEL POLICY

The personnel policy of the Corporation is similar to that of other large business houses. It attempts to obtain the highest calibre of individual for the salary it is ready to pay, it offers working conditions and hours which are believed to be in accord with those offered by other companies. The hiring for employment is done through the committee selection system, that is, the applicant is interviewed by several members of the Branch Executive Committee which finally discusses the applicant's possibilities. There is no need at this time to discuss the qualifications of an applicant for a position for in the main they are not unlike those required by other business houses.

May we state at this time, however, that it is not the general policy of the Corporation to go outside of its own Corporation or subsidiary corporations for the purposes of obtaining the services of "high powered" executives. The promotions are made within the Corporation itself to fill important executive positions.

It is the intention of the Corporation that each new employee receives a thorough training and furthermore, that he receives training in each branch of the business. In other words, the GMAC does not wish a credit man, a field man, or an accounting man, but a real GMAC man. Because of the abnormal growth of the Corporation it is oftentimes necessary to curtail the real training of the individual which in the long run costs

more money and time than if he were trained properly at the start.

As a means of spanning this breach caused by the lack of training the so-called educational meetings are held three evenings a week. These meetings are for the primary purpose of allowing those present to bring up any problems and to acquaint the entire personnel with the new methods, instructions, and routines. It is the writer's personal opinion that educational meetings are helpful in the latter case, but are time wasted if they are used as a substitute for the proper training of the employee.

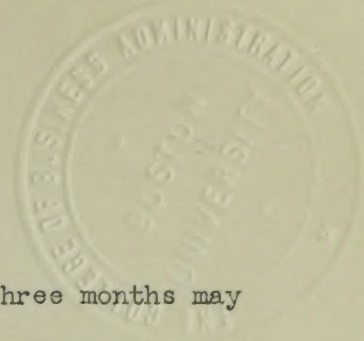
Dismissal of an employee is brought about only because of malfeasance or misfeasance in his work.

Personnel Opportunities.

There is always an incentive to the employees as the Corporation's activities are always expanding and the opportunities are ever present. Thus the GMAC unlike most Corporations is on the whole composed of relatively young men and it has at no time reached a period of stagnation and there is no reason to believe that it will for some years to come, if ever.

Savings, Investments and Insurance¹

The Employees and Investment Plan of the General Motors Corporation was established in 1919 and a new class is opened each year. Any employee



who has been in the service of the Corporation for three months may place 20% of his wages not to exceed three hundred dollars in this fund and for each dollar paid the Corporation agrees to pay fifty cents and credit the employee with interest at the rate of 6% compounded semi-annually. The original investment is invested in the Common Stock of the General Motors Corporation. If the employee resigns he must withdraw his investment and receive interest upon his money. Each class matures in five years after the date on which the class was started.

In view of the recent earnings and stock dividends, is it any wonder that an employee who saved \$300.00 in the year 1922 received in January 1928 on maturity, cash and securities having a market value of \$1,277.00? In the maturity of January 1929 for a similar investment the return amounted to approximately \$2,700.00.

Through this means of investment an employee may become independent in his latter years of life thus obviating the necessity of a Pension Plan.

There is also a plan under which an employee may have his payments in the Savings and Investment Plan applied on the purchase of a home.

The Corporation also offers to its employees annually an opportunity to invest in the 7% preferred stock of the General Motors Corporation under a more attractive plan than if the stock were purchased outright

in the market.

As a means of encouraging employees to protect their dependents a Group Life Insurance Policy has been purchased by the Corporation and any employee may without medical examination take out insurance totaling \$2,000. The higher executives have the privilege of taking out more insurance if they so desire. This insurance covers death and permanent disability before the age of sixty and is on a contributory basis. The total cost to the employee per month on a \$2,000 policy is \$1.50. Up to the present time approximately 98% of the employees have taken advantage of this personnel opportunity.

The executives of the Corporation have an opportunity to obtain a yearly bonus and also to invest in the Manager's Securities Company. These rewards are investments which bring forth an unbelievable return in the form of stock to those of the Corporation who are able to participate.

One may often hear the cry "why doesn't the Company pay a bonus where it is making so much money?" There is only one answer, namely, that it does through the personnel investment opportunities in the Corporation which may be considered as profit sharing. It is true that these opportunities are merely personnel satisfaction methods and not a substitute for a real wage and salary, but it is the intention of the

Corporation to pay an individual sufficiently to allow him to maintain his rightful standard of living.

One may readily ascertain the fact that to a young man the opportunity rests in taking advantage of the personnel inducements offered by the General Motors Corporation, and the rewards given the executives serve as an added stimulus to good hard work for which there is no other substitute. After all, no man ever became independently wealthy through his salary alone but, rather, through opportunities very similar to those offered by the General Motors Corporation.

The Corporation policy is that any organization is as good as its personnel and its future depends entirely upon its employees. With this thought in view, added to the earnings which have made these plans possible, a prudent employee need have no fear for his latter years of life.

Steady Employment.

Much more satisfaction than any of these personnel rewards is the fact that the Corporation offers uniform employment which has really been brought about by the development of more efficient and effective methods through the foresight of the Executives and their constant search for a better method. This has been brought about to no little extent by the fact that some one hundred or more Executives in the Corporation are independently wealthy, the financial return means but little to them, their

whole interest is in working for the success of the Corporation which, in reality, is the entire personnel. In this way, the General Motors Corporation and GMAC is assured of the services of Executives of the highest calibre.

CHAPTER XI.

MEETING COMPETITION

Possibly one of the most important problems in any enterprise, other than in the public utility field, is the meeting of competition of other companies. This problem is present in the financing business and it is regrettable to say that in too many instances this competition is not sound. The theoretical economist would probably say that unsound competition as often offered by many of the so-called "mushroom growth" companies is but of a temporary nature in that through unsound practises these organizations may survive but a relatively short time. This thought may be very true, but while they do operate they raise havoc in the financing business and make it increasingly difficult for sound financial enterprises to sell their services.

It is very regrettable that the dealer is in many cases induced to have automobiles which he is selling on the instalment plan financed by a company which offers him the best protection regardless of the cost to the purchaser. This has been brought about through the very intense and oftentimes unsound competition in the instalment financing field.

Several years ago automobiles were financed primarily for purchasers on what is known as the straight endorsement basis. Under such

a plan the collection and repossession activities rested with the dealer and upon any delinquency a deduction was made from the bank account of the dealer and applied to the purchaser's account, and it was the responsibility of the dealer to effect collection or repossession of the car from the purchaser if he wished to be reimbursed. This plan is still in operation to some extent and is employed by a few banks.

Although the banks under this method were not subjecting themselves to any great risks their finance charges were, on the whole, quite exorbitant. These charges were probably made because the banks were not equipped to handle this type of paper which for some time was frowned upon by the Federal Reserve System.

As specialized companies entered the field of automobile financing there was a marked change in the relationships existing between the dealers and these finance corporations. It was readily realized that some losses must be absorbed and that these losses might be minimized by having the dealers and the finance company work together in the selection of risks, in collection and repossession activities and by setting up certain means of protection against unforeseen losses, such as collisions, conversions and confiscations.

Proper consideration was given to the fact that at times the re-sale of a repossessed automobile might entail a loss to the dealer and, therefore, a dealer's reserve for such losses has been set up as an offsetting account. This reserve is a part of the finance charge to the purchaser.

Through such a recourse plan if the dealer merchandises soundly he will suffer no losses but will really have an income from the dealer's reserve.

Under such a finance plan the losses to the dealer and the finance company could be kept at a minimum in that both organizations were working together and for the same ends. On this basis the finance charge which is in reality paid by the purchaser, is maintained at a minimum and some far-sighted dealers have recognized that very often a relatively low finance charge has a very marked effect upon their sales of automobiles under the instalment plan.

As competition in automobile financing increased, many of the smaller companies felt that they could obtain a vast amount of instalment business by going one step further and operating under a non-recourse plan. Under this system the dealer merely re-assigns the contract or note to the finance company or bank without recourse. The finance charges are necessarily very high as it is very seldom indeed that these banks or companies are in a position to effect

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sale of a repossessed automobile might result in a loss to the dealer
and, therefore, a dealer's reserve for such losses has been set
up as an offsetting account. This reserve is a part of the finance
charge to the purchaser.
Through such a reserve plan the dealer's automobile is quickly
in full value as losses are really borne by the dealer from the
dealer's reserve.
Under such a finance plan the losses to the dealer and the
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As competition in automobile financing increased, many of the
smaller companies felt that they could obtain a much greater
installment business by going one step further and operating under a
no-reserve plan. Under this system the dealer carries no reserve
the contract or note to the finance company or bank without reserve.
The finance charges are necessarily very high as it is very seldom
indeed that these banks or companies are in a position to effect

collections or make repossessions very economically, and furthermore, the costs of prior investigation of the purchaser are high.

Under such a plan, it is necessary for the bank or finance company to sell its own repossessed automobiles and as such an enterprise is merely an attempt to compete in the used car market, it is usually not equipped to do so very successfully as it is not an expert in such operations and oftentimes it must absorb a sizable loss upon the resale of these automobiles, which must be met through excessive finance rates.

Possibly the reader will feel that provided that proper credit has been extended in the first place there will be no such problem as repossessed cars. In automobile financing there will always be repossessed cars just as collisions, confiscations, conversions, and credit losses.

It is indeed unfortunate that the dealers have forced this plan into operation. Many of them lack the foresight to see that either their sales must suffer due to the very excessive charges of companies operating with such a plan or that such finance companies will have a used car problem which will grow to such an extent that it will seriously interfere with the sound operations of the company.

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it will seriously interfere with the sound operations of the company.

It has been very interesting to note how many finance organizations which started in business with a non-recourse plan have changed to a recourse plan, and also how many others of these have found it necessary to leave this field.

Competition and the General Motors Acceptance Corporation

The GMAC Plan is a recourse plan whereby a dealer is amply protected against losses and the purchaser pays a minimum finance charge which includes fire and theft insurance on the automobile which amply protects the purchaser and the Corporation. The only competition which it receives through rates is in the amount of the dealer's reserve which it sets up and pays to the dealer. There are several companies which are over-bidding GMAC in the reserve which they offer to the dealer but it is questionable how long such a condition may continue without raising the finance charge to the purchaser which will in the end seriously curtail sales.

There is no recourse plan which offers any better protection to a dealer than that of GMAC, other than, possibly, a larger dealer's reserve. The GMAC Plan contemplates that if a dealer merchandises properly he will be amply protected and suffer no losses.

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It has been very interesting to note how many Finance organizations which started in business with a non-recourse plan have changed to a recourse plan, and also how many others of these have found it necessary to leave this field.

Competition and the General Motors Recourse

Competition

The GMRC plan is a recourse plan whereby a dealer is fully protected against losses and the purchaser pays a substantial finance charge which includes fire and theft insurance on the automobile which fully protects the purchaser and the Corporation. The only competition which it receives through rates is in the amount of the dealer's reserve which it sets up and pays to the dealer. There are several companies which are over-bidding GMRC in the reserve which they offer to the dealer but it is questionable how long such a condition may continue without raising the finance charge to the purchaser which will in the end seriously curtail sales.

There is no recourse plan which offers any better protection to a dealer than that of GMRC. Other than, possibly, a larger dealer's reserve. The GMRC plan contemplates that if a dealer understands properly he will be fully protected and suffer no losses.

In order to meet competition in the rendering of services to dealers GMAC is continually opening new branches so that a constantly improved service may be rendered, and likewise so that branches will be established in the larger centers thereby allowing GMAC to obtain a more vivid picture of the conditions under which the dealer is operating and allowing it to render a more personalized and efficient service to not only the dealers but to purchasers as well.

The Territorial Managers Plan which we have already discussed in some detail is merely one of a number of steps which GMAC has taken to improve its service to dealers and purchasers.

There is also a constant education of the entire Corporation personnel and a search for a better method so that the services afforded to the dealers and purchasers will always be the best that may be rendered.

A large percentage of the dealers handling General Motors automobiles is using the GMAC Plan as a part of their sales talk. They realize that under this plan the purchasers receive the best service and the greatest consideration and protection for the lowest charge and in this way, they are further educated in what the entire General

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 realize that under this plan the purchaser receives the best service
 and the greatest consideration and protection for the lowest charge
 and in this way they are further educated in what the entire General

Motors stands for, what it attempts to accomplish and its results. Purchasers usually prefer to deal with one organization in that the problems, policies, and results of all of the subsidiary companies are to a great extent one and the same.

Most dealers rightfully feel that any profits made by any one of the subsidiary companies of the General Motors Corporation will be returned to them through the medium of a better product, a lower priced product or through the purchaser's good will towards the entire General Motors organization.

Conclusion

The GMAC meets the competition of other finance companies which are operating under what is considered as the only sound plan, the recourse plan, by maintaining the lowest charges, adequately protecting the dealer against any losses, setting up and maintaining a dealer's retail reserve which through actual experience has proven adequate, by amply protecting the purchaser and itself against fire and theft losses with the lowest rate offered anywhere, and by constantly improving its credit and collection activities and continually attempting to improve its methods of operation.

Through its minimum finance charge it is building up a means of increased sales for dealers and through its methods of handling accounts

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Conclusion

The GMC needs the cooperation of other finance companies which are operating under what is considered as the only sound plan, the resource plan, by maintaining the lowest charges, adequately providing the dealer against any losses, setting up and maintaining a dealer's retail reserves which through actual experience are proven adequate, by easily obtaining the purchaser and dealer's credit and their losses with the lowest rate offered anywhere, and by constantly improving its credit and collection activities and consistently attempting to improve its methods of operation. Through the chain finance change it is building up a means of increased sales for dealers and through the methods of handling accounts

in an efficient and painstaking way it is continually building up good will without which not only the General Motors Corporation but also the dealers' organizations could not increase its activities, let alone merely survive.

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CHAPTER XII.

THE GMAC PROGRESS AND RESULTS. ¹

It may be well at this time to give a brief resume of progress which the Corporation has made since it was first incorporated in 1919.

The operations for the year 1919 resulted in a deficit. This was expected as the volume could not offset the expenses incurred in organizing and in educating the dealers in the service that GMAC was ready to offer.

During the year 1920 the volume of business increased considerably, the building up of the organization was continued and four new branches were opened.

During the year 1921 there was a general business depression, borrowing rates on money were very high, and considerable expense was entailed because of collection difficulties. The volume decreased considerably but there was no attempt to expand the organization but rather to perfect it. The Corporation during this year suffered a net deficit but had the opportunity of gaining most valuable business experience.

The year 1922 saw the Corporation about double its volume over that of 1921, additional branches were opened, the proper reserves were set

CHAPTER III.

THE NEW PROGRAM AND RESULTS.

It may be well at this time to give a brief review of progress

which the Corporation has made since it was first incorporated in

1913.

The operations for the year 1913 resulted in a deficit. This was

expected as the volume could not afford the expenses incurred in

organizing and in educating the dealers in the service which they were

ready to offer.

During the year 1914 the volume of business increased considerably

and, the building up of the organization was continued and four new

branches were opened.

During the year 1915 there was a general business depression,

borrowing rates on money were very high, and considerable expense was

entailed because of collection difficulties. The volume decreased

considerably but there was no attempt to expand the organization and

rather to restrict it. The Corporation during this year suffered a

net deficit but had the opportunity of gaining more valuable business

experience.

The year 1916 saw the Corporation again double the volume over that

of 1915, additional branches were opened, the gross receipts were \$25

\$25,000,000.

up and besides these expenses and items there remained a sizable net profit for the year.

The business of the Corporation was so satisfactory during the year 1923 that the first Corporation dividend, one of 8% was paid on the Capital Stock. Operations and volume continued to expand during this year.

Earnings for the year 1924 were so satisfactory that a 12% dividend was declared on the Capital Stock. Earnings, volume and the business as a whole, continued to expand.

The business outlook for 1925 was far from encouraging but the unprecedented volume of business after August 1st of that year, when the Retail Plan was provided, together with further economies in operation resulted in a satisfactory profit for the year despite the reduction in finance charges. Dividends totaling 12% were declared on the Capital stock during that year.

The volume of business handled during 1926 was more than double that of 1925. Business conditions were most favorable during that year and as a result, dividends of 15% were declared on the Capital Stock.

It was readily seen at the outset of 1927 that it would be necessary to expand the Corporation's activities considerably to proper-

up and besides these expenses and items there remained a sizable net profit for the year.

The business of the Corporation was an satisfactory during the year 1933 and the first corporation dividend, one of \$5 was paid on the Capital Stock. Operations and volume continued to expand during this year.

For the year 1934 there was an satisfactory net profit dividend was declared on the Capital Stock. Operations, volume and the business as a whole, continued to expand.

The business outlook for 1935 was far from encouraging and the representative volume of business after August 1st of that year, when the fiscal year was provided, together with further expansion in operation remained in a satisfactory profit for the year despite the reduction in expense charges. Dividends totaling \$5 were declared on the Capital Stock during that year.

The volume of business handled during 1936 was more than double that of 1935. Business conditions were most favorable during that year and as a result, dividends of \$5 were declared on the Capital Stock.

It was readily seen at the outset of 1937 that it would be necessary to expand the Corporation's activities considerably to properly

ly handle the expected volume of business. Despite this expansion, which was necessarily paid for to a large extent from profits, the Corporation was able to pay 17% as dividends on the Capital Stock.

Although there are, as yet, no detailed figures for the year of 1928, we know that the earnings, volume of business and dividends in stock were greater than in any previous year. The expansion and perfection of the Corporation still continued.

In making a statement of the findings and results of this study of automobile financing it is necessary to enter into more or less statistical research and from these statistics arrive at definite conclusions as to the progress GMAC is making in this field. The bases for any definite conclusions are always based upon facts and in this study, as in most research studies, these results are set forth in statistical form.

It is hoped that the reader will bear with us if we analyze two sets of results; the Corporation results and the results of the Boston Branch Office. Insofar as has been possible, an attempt has been made to obtain certain results of the Corporation as a whole but due to the impossibility of obtaining all the desired Corporation statistics in certain phases of the operations, it will be necessary to content ourselves with the representative branch figures. When success has

by handling the expected volume of business. Despite this expansion, which was necessarily paid for to a large extent from profits, the Corporation was able to pay 17 1/2% dividends on the Capital Stock. Although there are, as yet, no detailed figures for the year of 1935, we know that the earnings, volume of business and dividends in stock were greater than in any previous year. The expansion and perfection of the Corporation still continued. In making a statement of the findings and results of this study of automobile financing it is necessary to enter into more or less statistical research and from these statistical data to derive conclusions as to the progress CMC is making in this field. The basis for any definite conclusions are always found from facts and in this study, as in most research studies, these results are not found in statistical form. It is hoped that the reader will bear with us if we analyze two sets of results; the Corporation results and the results of the Bureau Branch Office. Insofar as the latter is concerned, an attempt has been made to obtain certain results of the Corporation as a whole and due to the impossibility of obtaining all the desired Corporation statistics in certain phases of the operation, it will be necessary to content ourselves with the representative branch figures. When necessary

been met in obtaining both the Corporation and Branch figures both will be set forth as a means of comparing the normal Corporation results with the results obtained in New England.

The first question which is usually asked of any Corporation is "Is it's business increasing? This question is immediately answered in the affirmative. Although the volume of business figures for the year of 1928 are not yet available, a definite idea of the increase in both the Retail and Wholesale volumes may be readily ascertained from the following Corporation figures.

Retail

Retail class includes all obligations purchased under Retail financing plans, Domestic, Canadian and Foreign divisions.

1919-1928
inclusive.

Total Retail Volume last nine	1919	\$9,989,018
months of year.	Total year 1920	46,693,170
	" " 1921	39,725,007
	" " 1922	73,608,353
	" " 1923	102,049,475
	" " 1924	102,564,804
	" " 1925	155,300,275
	" " 1926	373,684,915
	" " 1927	459,345,583
	" " 1928	548,390,430

Wholesale

Wholesale class includes all obligations purchased under Wholesale financing plans, Domestic, Canadian and Foreign divisions.

Total Wholesale Volume last nine months of year			1919	\$7,635,777
	Total	Year	1920	37,578,470
		"	1921	34,370,140
		"	1922	54,054,841
		"	1923	95,151,351
		"	1924	118,889,745
		"	1925	90,813,377
		"	1926	233,651,373
		"	1927	362,177,169
		"	1928	388,676,354

Foreign

Foreign class includes all export drafts and bills purchased and foreign export credits extended.

Total export volume last eight months of year			1919	\$3,256,192
	Total	Year	1920	19,830,994
		"	1921	3,361,882
		"	1922	7,593,503
		"	1923	21,415,288
		"	1924	32,194,766
		"	1925	35,313,120
		"	1926	24,207,285
		"	1927	21,297,125
		"	1928	30,608,790

Total Volume

All Classes Included

Total volume all classes included last nine months of year			1919	\$20,880,988
	Total	Year	1920	104,102,634
		"	1921	77,457,029
		"	1922	135,256,702
		"	1923	218,616,114
		"	1924	253,649,315
		"	1925	281,426,772
		"	1926	631,543,575
		"	1927	842,819,877
		"	1928	967,675,575

Total Wholesale Volume last nine months of year		Total	
1919	27,482,777	1919	27,482,777
1920	27,878,470	1920	27,878,470
1921	24,270,140	1921	24,270,140
1922	24,000,241	1922	24,000,241
1923	26,141,231	1923	26,141,231
1924	21,848,785	1924	21,848,785
1925	20,813,277	1925	20,813,277
1926	22,882,273	1926	22,882,273
1927	22,177,103	1927	22,177,103
1928	22,875,202	1928	22,875,202

Foreign

Foreign class includes all export duties and other purchased and

foreign export credits extended.

Total export value last eight months of year		Total	
1919	22,882,273	1919	22,882,273
1920	22,875,202	1920	22,875,202
1921	22,177,103	1921	22,177,103
1922	22,882,273	1922	22,882,273
1923	22,177,103	1923	22,177,103
1924	22,875,202	1924	22,875,202
1925	22,882,273	1925	22,882,273
1926	22,177,103	1926	22,177,103
1927	22,875,202	1927	22,875,202
1928	22,882,273	1928	22,882,273

Total Volume

All classes included

Total volume all classes included last nine months of year		Total	
1919	22,882,273	1919	22,882,273
1920	22,875,202	1920	22,875,202
1921	22,177,103	1921	22,177,103
1922	22,882,273	1922	22,882,273
1923	22,177,103	1923	22,177,103
1924	22,875,202	1924	22,875,202
1925	22,882,273	1925	22,882,273
1926	22,177,103	1926	22,177,103
1927	22,875,202	1927	22,875,202
1928	22,882,273	1928	22,882,273

EXPANSION OF THE ORGANIZATION

Possibly the second question which may dovetail into the first is "Is merely the volume of business as a whole expanding, or is the entire Corporation expanding so as to efficiently handle the volume of business, and is it so expanding that any future increase in volume will be so handled that the service being rendered by GMAC will be so satisfactory to the dealers that they will continue to finance through the Corporation?" Another question which may be raised is "Will the results of the future be at least as satisfactory as in the past?"

These answers may be given in the affirmative and as a basis we may refer to the organization expansion in the number of branches and employees as follows:

<u>Year</u>	<u>Total Number of Operating Branches</u>	<u>Total Number of GMAC Employees</u>
1919	6	336
1920	10	722
1921	10	632
1922	16	865
1923	17	1040
1924	25	1151
1925	33	2493
1926	47	3298
1927	62	3951
1928	77	5333

EXTENSION OF THE ORGANIZATION

Possibly the second question which may logically arise is "Is merely the value of business as a whole expanding, or is the entire Corporation expanding so as to efficiently handle the volume of business, and is it so expanding that any future increase in volume will be so handled that the service being rendered by the will be as satisfactory to the dealers that they will continue to finance through the Corporation?" Another question which may be raised is "Will the results of the future be at least as satisfactory as in the past?"

These answers may be given in the affirmative and on a basis of may refer to the organization expansion in the matter of business and employees as follows:

Year	Total Number of Operating Branches	Total Number of Employees
1919	6	336
1920	10	712
1921	10	833
1922	11	868
1923	17	1040
1924	22	1161
1925	23	1243
1926	27	1333
1927	32	1387
1928	47	1513

OPERATING PROFIT

Another question of importance is "Is GMAC operating at a profit?" This is answered in the affirmative and with emphasis by setting forth the net profit and the percent earned on the volume and percent earned on capital funds.

Year	Net Profit	Percent Earned on Volume	Percent Earned on Capital Funds.
1919	\$ 49,435.00		
1920	196,638.00		
1921	216,652.00		
1922	298,705.00		
1923	1,451,828.00	.66	18.70
1924	2,247,177.00	.89	17.97
1925	2,356,737.00	.84	16.63
1926	5,193,203.00	.82	18.98
1927	8,573,475.00	1.02	19.04
1928	10,370,453.00	1.07	18.62

These figures show the vast increases in profit since 1922 and the percent earned on volume which has increased very rapidly within the past six years.

Of foremost interest to investors is the item referring to the percent earned on capital funds which reflects the uses to which capital is being placed and whether it is used economically. The above figures are conclusive evidence that the capital funds are being handled properly and that the vast growth of the Acceptance Corporation has not caused lax or mismanaged methods of handling this money.

OPERATING PROFIT

Another question of importance is "is this operating as a profit?"

This is answered in the affirmative and with emphasis by setting forth

the net profit and the payment earned on the volume and percent earned

on capital funds.

Year	Net Profit	Percent Earned on Volume	Percent Earned on Capital Funds
1919	\$ 48,433.00		
1920	152,832.00		
1921	218,432.00		
1922	298,702.00		
1923	1,421,322.00	38.	12.79
1924	2,324,177.00	32.	17.37
1925	2,328,727.00	34.	10.52
1926	2,122,222.00	32.	12.38
1927	2,222,472.00	30.1	12.02
1928	10,270,422.00	1.07	12.02

These figures show the vast increase in profit since 1922 and the

percent earned on volume which has increased very rapidly within the past

six years.

Of course interest is concerned in the time reflecting on the net-

and earned on capital funds which reflects the use of which capital is

being placed and whether it is used profitably. The above figures are

conclusive evidence that the capital funds are being handled properly

and that the vast growth of the Associated Corporation has not caused any

or mismanaged methods of handling this money.

CAPITAL STOCK OUTSTANDING AND SURPLUS

A further study of great interest is that which has to do with the amount of Capital Stock outstanding and the surplus of the Corporation from the organization of the Company until the present date.

<u>As of</u>	<u>Capital Stock Outstanding</u>	<u>Surplus.</u>
December 31, 1919	\$ 2,000,000	\$ 500,000.
" " 1920	3,200,000.	800,000.
" " 1921	4,000,000.	1,080,000.
" " 1922	4,800,000.	1,280,000.
" " 1923	6,000,000.	1,500,000.
" " 1924	9,000,000.	2,250,000.
" " 1925	13,500,000.	3,375,000.
" " 1926	25,000,000.	6,250,000.
" " 1927	35,000,000.	8,750,000.
" " 1928	40,000,000.	10,000,000.

There has been an enormous increase in the amount of Capital Stock outstanding until the present day which has been necessitated by the constant demand for capital in the organization to care properly for the growth of the Corporation. It is questionable, however, whether any future substantial Capital Stock issue may be made without having a decided effect upon the market value of General Motors Stock.

The Surplus Account figures pointed out very clearly the policy of continually increasing that account so that any emergency or contingency may be readily breached.

CAPITAL STOCK OUTSTANDING AND SUPPLIES

A further study of great interest is that which has to do with the amount of Capital Stock outstanding and the supplies of the Corporation from the organization of the Company until the present date.

As of	Capital Stock Outstanding	Supplies
December 31, 1913	\$ 2,000,000	\$ 800,000
" " 1910	2,200,000	800,000
" " 1911	4,000,000	1,000,000
" " 1912	4,500,000	1,200,000
" " 1913	5,000,000	1,500,000
" " 1914	5,000,000	2,200,000
" " 1915	12,000,000	2,375,000
" " 1916	25,000,000	2,500,000
" " 1917	30,000,000	2,750,000
" " 1918	40,000,000	10,000,000

There has been an enormous increase in the amount of Capital Stock outstanding until the present day which has been necessitated by the constant demand for capital in the organization to date properly for the growth of the Corporation. It is questionable, however, whether any future substantial Capital Stock issue may be made without having a decided effect upon the market value of Capital Stock.

The Empire Account figures pointed out very clearly the policy of continually increasing that account so that any emergency or contingency may be readily provided.

CURRENT ASSETS OF THE CORPORATION

Another important means of deciding the soundness of the Corporation's financial position is by analyzing the cash on hand for each year and also the margin of quick assets to outstanding obligations.

Year Ending	Cash On Hand	Total Quick Assets	% Margin of Quick Assets Over Outstanding Obligations.
December 31, 1925	\$ 21,847,955.	\$138,134,715.	25.6%
December 31, 1926	38,006,736.	270,131,816.	25.3%
December 31, 1927	45,975,161.	321,705,394.	27.9%
December 31, 1928	55,397,794.	323,792,296.	27.6%

These figures reflect a continual increase in the amount of cash on hand and an increase in percentage of slightly under 40% between 1925 and 1928, which is an excellent showing.

The total percentage of Quick Assets, on the other hand, has increased during this same time approximately 43% showing that it is not merely the cash position of GMAC which has been improved but also its entire liquid assets.

The figures on the percent margin of Quick Assets over outstanding obligations shows an improving position in the Corporation.

This phase of GMAC's results should be of material interest to the investing public.

REPORT TO THE BOARD OF DIRECTORS

Another important means of assessing the soundness of the Corporation's financial position is by analyzing the cash on hand for each year and also the margin of quick assets to outstanding obligations.

Year Ending	Cash on Hand	Total Quick Assets	Margin of Quick Assets over Outstanding Obligations
December 31, 1935	\$ 21,067,000	\$100,154,715	38.0%
December 31, 1934	20,000,000	97,121,215	38.2%
December 31, 1933	19,000,000	91,700,000	37.5%
December 31, 1932	18,000,000	88,700,000	37.0%

These figures reflect a consistent increase in the amount of cash on hand and an increase in percentage of slightly under 40% between 1932 and 1935, which is an excellent showing.

The total percentage of quick assets, on the other hand, has increased during this same time approximately 50% showing that it is not merely the cash position of GMAC which has been improved but also its entire liquid assets.

The figures on the present margin of quick assets over outstanding obligations shows an improving position in the Corporation.

This phase of GMAC's results should be of material interest to the investing public.

GMAC RESERVES

To further show the financial soundness of GMAC, it is advisable to refer to the reserves which have been properly set up and increased as the Corporation has developed.

Year Ending	Reserves	Dealers' Repossessions Loss Reserves
<u>December 31, 1919</u>	<u>\$ 143,219.</u>	
" " 1920	604,017.	
" " 1921	426,015	
" " 1922	872,958.	
" " 1923	1,303,079.	
" " 1924	1,640,822.	
" " 1925	2,303,377.	
" " 1926	4,174,618.	\$4,640,414.00
" " 1927	5,634,597.	7,735,361.00
" " 1928	8,022,263.	7,056,173.00

The above figures really relate to the financial position and progress of the Corporation since it was first incorporated.

CREDIT EXTENSION STUDIES

It seems an opportune time to review the Corporation's results figures which afford a means of studying GMAC's experience in the direct financing of automobiles. This experience may be divided in general into the delinquency study, the repossession study, the loss study, and the irregular paper study.

DEBIT RESERVES

To further show the financial soundness of DEAC, it is advised -
 do to refer to the reserves which have been properly set up and
 increased as the Corporation has developed.

Year Ending	Reserves	Debit, Repossession Loan Reserves
December 31, 1919	\$ 122,212	
" " 1920	204,017	
" " 1921	422,212	
" " 1922	672,202	
" " 1923	1,202,072	
" " 1924	1,242,222	
" " 1925	2,202,222	
" " 1926	4,122,212	\$4,242,412.00
" " 1927	6,222,222	7,222,222.00
" " 1928	8,222,222	7,222,222.00

The above figures really relate to the financial position and
 progress of the Corporation since it was first incorporated.

CREDIT RESERVES STUDIES

It seems an opportune time to review the Corporation's credit
 figures which afford a means of studying DEAC's experience in the
 direct financing of automobiles. This experience may be divided in
 general into the delinquency study, the repossession study, the loan
 study, and the irregular paper study.

CHAPTER XIII.

DELINQUENCY, REPOSSESSION, AND LOSS RESULTS

The results of the delinquency study leads us to the conclusion that on the whole the percentage of the Corporation's delinquency over thirty days on outstanding receivables has averaged approximately .42 to .50% from 1924 through 1928 and the percentage of outstanding receivables sixty days or more overdue has averaged approximately .026% during these same years.

Inasmuch as serious delinquency oftentimes ends in the repossession of the collateral the following results of the Corporation on repossessions are being set forth:

<u>Year</u>	<u>% of New Cars Repossessed</u>	<u>% of Used Cars Repossessed</u>	<u>Total % of Cars Repossessed.</u>
1926	3.65	12.42	7.64
1927	3.74	12.39	7.65
1928	1.35	6.06	3.49

Every automobile finance company or bank realizes that there are certain losses which must be taken but these losses are to a great extent kept to a minimum if the company has definite credit extension policies which insist upon the proper selection of credit risks. As a means of deciding whether the GMAC loss experience has been satisfactory, we are taking the liberty of setting forth the following figures:

INVENTORY, RECEIVABLES, AND LOSS RESERVE

The results of the delinquency study leads us to the conclusion that on the whole the percentage of the Corporation's delinquency over thirty days on outstanding receivables has averaged approximately 42 to 50% from 1934 through 1936 and the percentage of outstanding receivables sixty days or more overdue has averaged approximately 10% during these same years.

Inasmuch as various delinquency percentages were in the representation of the collection the following results of the Corporation are as follows:

Year	% of New Cars Reported	% of Used Cars Reported	Total % of Cars Reported
1936	5.65	12.42	7.84
1937	5.74	12.30	7.52
1938	1.30	5.00	3.33

Every automobile finance company or bank realizes that there are certain losses which must be taken but these losses are to a great extent kept to a minimum if the company has definite credit policies which insist upon the proper selection of credit risks. In a word of stating whether the DMC loss experience has been satisfactory, we are setting the liberty of setting forth the following figures:

CREDIT LOSS EXPERIENCE-RETAIL

<u>Year</u>	<u>% Gross Write Offs to Volume</u>	<u>% Write Offs Recovered</u>	<u>% Net Losses to Volume</u>
1919	.599	18.13	.490
1920	1.126	19.45	.907
1921	.927	27.84	.669
1922	.178	39.51	.107
1923	.105	50.39	.052
1924	.135	26.21	.100
1925	.125	29.03	.089
1926	.211	31.79	.144
1927	.116	28.47	.083
1928	.031	12.95	.027
Total	.158%	27.79%	.114%

CREDIT LOSS EXPERIENCE-WHOLESALE

<u>Year</u>	<u>% Gross Write Offs to Volume</u>	<u>% Write Offs Recovered</u>	<u>% Net Losses to Volume</u>
1919	.114	4.38	.109
1920	.238	19.43	.192
1921	.110	11.66	.097
1922	.020	10.41	.018
1923	.025	14.02	.021
1924	.091	26.49	.067
1925	.037	52.95	.017
1926	.076	29.69	.053
1927	.039	27.84	.028
1928	.013	15.29	.011
Total	.048%	25.34%	.036%

DEBIT LOSS EXPERIENCE-DETAIL

Year	Net Losses to Volume	White Cuts Recovered	Net Losses to Volume
1919	1.00	1.18	1.00
1920	1.10	1.10	1.10
1921	1.10	1.10	1.10
1922	1.10	1.10	1.10
1923	1.10	1.10	1.10
1924	1.10	1.10	1.10
1925	1.10	1.10	1.10
1926	1.10	1.10	1.10
1927	1.10	1.10	1.10
1928	1.10	1.10	1.10
Total	1.10	1.10	1.10

DEBIT LOSS EXPERIENCE-SUMMARY

Year	Net Losses to Volume	White Cuts Recovered	Net Losses to Volume
1919	1.10	1.10	1.10
1920	1.10	1.10	1.10
1921	1.10	1.10	1.10
1922	1.10	1.10	1.10
1923	1.10	1.10	1.10
1924	1.10	1.10	1.10
1925	1.10	1.10	1.10
1926	1.10	1.10	1.10
1927	1.10	1.10	1.10
1928	1.10	1.10	1.10
Total	1.10	1.10	1.10

CREDIT LOSS EXPERIENCE -TOTAL
Including Foreign Export
Losses.

Year	<u>% Gross Write Offs to Volume</u>	<u>% Write Offs Recovered</u>	<u>% Net Losses to Volume</u>
1919	.328	16.39	.274
1920	.679	22.62	.525
1921	.524	26.33	.386
1922	.105	37.30	.066
1923	.060	43.82	.033
1924	.097	26.34	.072
1925	.087	35.37	.056
1926	.153	31.39	.105
1927	.080	28.34	.057
1928	<u>.023</u>	<u>13.49</u>	<u>.020</u>
Total	.108%	27.94%	.078%

Another analysis may be made of the losses due to Conversion, Confiscation and Collision which, although not set forth in such great detail as our previous study on Credit Losses, which may be more readily controlled by credit extension, definitely points out that these losses are fairly negligible as compared with the volume of business.

CONVERSION COLLISION AND CONFISCATION

WRITE OFFS- RETAIL

Year	<u>% Gross Write Offs to Volume</u>	<u>% Write Offs Recovered</u>	<u>% Net Losses to Volume</u>
1925	.515	27.18	.375
1926	.542	27.59	.393
1927	.382	21.60	.300
1928	<u>.144</u>	<u>9.55</u>	<u>.130</u>
Total	.348%	22.81%	.269%

CURRENT LOSS REPAIRS - TOTAL
Including Foreign Export
Losses

Year	Gross White Oils to Volume	White Oils Recovered	Net Losses to Volume
1919	338	12.39	374
1920	478	22.42	500
1921	524	26.22	550
1922	702	27.20	729
1923	680	42.82	722
1924	697	26.26	723
1925	687	22.27	709
1926	712	21.29	733
1927	680	22.24	702
1928	612	12.42	624
Total	7,104	27.24	7,131

Another analysis may be made of the losses due to conversion, identification and collation which, although not set forth in such great detail as our previous study on credit losses, which may be more readily controlled by credit extension, definitely points out that these losses are fairly negligible as compared with the volume of business.

CONVERSION COLLISION AND CORRELATION
WHITE OILS - RETAIL

Year	Gross White Oils to Volume	White Oils Recovered	Net Losses to Volume
1928	512	27.12	539
1929	542	27.22	569
1930	522	21.20	543
1931	512	22.22	534
Total	2,088	22.22	2,110

It may be interesting at this time to note that by far the greatest retail losses are sustained on the "Farmer " or 1, 2 and 3 installment plans and particularly on used cars financed under this plan, and also on used cars financed under the provisions of the regular Purchase Plan.

IRREGULAR PAPER

As previously outlined, it is the policy of GMAC to obtain the highest down payment and the highest amount in the form of payment per month properly suited to the purchaser's purse.

An analysis was recently made which brought out the fact that during 1927 on approximately 3.6% of the sales of new cars financed by GMAC was the down payment less than the required amount and the term exceeded twelve months; in 1928 the figure was approximately 3.1%. On used cars this figure amounted to .2% and for all cars financed the amount was 2.1% for the year 1927. The used car figures for 1928 amounted to .2% and for all cars financed during that year the percentage was 1.8. Furthermore, the ratio of the average retail receivables to the cash selling price in 1927 was 63.1% from new cars, 66.1% from used cars or a total of 63.9%, whereas in 1928 it was 63.3%, 66.1%, and 64.0% respectively.

It may be interesting at this time to note that by far the
greatest retail losses are sustained on the "Farm" or 1, 2 and 3
installment plans and particularly on used cars financed under this
plan, and also on used cars financed under the provisions of the
regular business plan.

INTERNAL FACTS

As previously outlined, it is the policy of GMAC to obtain the
highest down payment and the highest amount in the form of payment
per month properly added to the purchaser's price.
In analysis was recently made which brought out the fact that
during 1937 an approximately 2.8% of the sales of new cars financed
by GMAC was the down payment less than the reported amount and the
term exceeded twelve months; in 1938 the figure was approximately
2.1%. On used cars this figure amounted to .3% and for all cars
financed the amount was 2.1% for the year 1937. The used car figure
for 1938 amounted to .3% and for all cars financed during that year the
percentage was 1.8. Furthermore, the ratio of the average retail
percentage to the cash selling price in 1937 was 63.1% from new cars,
63.1% from used cars or a total of 63.3%, whereas in 1938 it was 63.1%,
63.1% and 64.0% respectively.

AVERAGE TERM OF GMAC NOTES PURCHASED

The average term of contracts which GMAC has purchased during the last two years is as follows:

<u>Year</u>	<u>New Cars in Months</u>	<u>Used Cars in Months</u>	<u>Total in Months.</u>
1927	12.49	9.90	11.30
1928	12.63	10.14	11.47

In analyzing the above figures from the standpoint of dollars we arrive at the following results:

<u>Year</u>	<u>New Cars in Dollars</u>	<u>Used Cars in Dollars</u>	<u>Total in Dollars</u>
1927	12.85	10.77	12.36
1928	13.00	10.93	12.37

Figures have recently been published which set forth in detail the percentage of cars which have been purchased under a given percentage of down payment and as pointed out above such a study is very important to a finance organization inasmuch as it is always the desire of the dealer to obtain as high a down payment as possible so that the

AVERAGE TERM OF GMAO NOTES PURCHASED

The average term of contracts which GMAO has purchased during

the last two years is as follows:

Year	New Cars in Months	Used Cars in Months	Total in Months
1937	12.40	8.80	11.30
1938	12.65	10.14	11.47

In analyzing the above figures from the standpoint of dollars we

arrive at the following results:

Year	New Cars in Dollars	Used Cars in Dollars	Total in Dollars
1937	12.66	10.77	12.66
1938	12.90	10.35	12.37

Figures have recently been published which set forth in detail the percentage of cars which have been purchased under a given payment of down payment and as pointed out above such a study is very important to a finance organization inasmuch as it is always the desire of the dealer to obtain as high a down payment as possible so that the

equity of each purchaser will be sufficiently great and he will give the car better care. These figures are being listed as follows:

<u>Year</u>	<u>New</u>	<u>Used</u>	<u>Total</u>	
1927	5.6%	3.9%	4.8%	Less than 33%
1928	4.9%	3.1%	4.1%	Cash Selling Price.
1927	12.8%	7.3%	10.3%	33 to 33 1/3%
1928	9.9%	5.1%	7.7%	Cash Selling Price.
1927	55.5%	71.2%	62.6%	33 2/3 to 49%
1928	59.0%	75.1%	66.3%	Cash Selling Price.
1927	26.1%	17.6%	22.3%	50% and over
1928	26.2%	16.7%	21.9%	Cash Selling Price.

MATURITY OF RETAIL NOTES

It is the policy of GMAC to so limit its credit extensions that notes will mature insofar as is possible within 12 months from the date of the purchase of the automobile. The liberty is being taken to analyze the results figures on the maturity of retail notes.

<u>Year</u>	<u>New</u>	<u>Used</u>	<u>Total</u>	
1927	14.2%	54.2%	32.1%	Notes maturing in
1928	12.8%	49.6%	29.5%	1-11 months.
1927	66.1%	44.7%	56.5%	Notes maturing
1928	65.4%	49.1%	58.0%	in 12 months.
1927	19.7%	1.1%	11.4%	Notes maturing
1928	21.8%	1.3%	12.5%	over 12 months.

equity of each purchaser will be satisfactorily great and so will give the car better care. These figures are being listed as follows:

Year	Now	Used	Total
1937	5.00	5.00	10.00
1938	4.00	4.00	8.00
1939	12.00	7.00	19.00
1940	9.00	6.00	15.00
1941	38.00	11.00	49.00
1942	38.00	10.00	48.00
1943	38.00	11.00	49.00
1944	38.00	11.00	49.00
1945	38.00	11.00	49.00
1946	38.00	11.00	49.00

MATURITY OF RETAIL NOTES

It is the policy of GME to so limit its credit expansion that notes will mature insofar as is possible within 12 months from the date of the purchase of the automobile. The liberty is being taken to analyze the maturity figures on the maturity of retail notes.

Year	Now	Used	Total
1937	14.00	14.00	28.00
1938	14.00	14.00	28.00
1939	14.00	14.00	28.00
1940	14.00	14.00	28.00
1941	14.00	14.00	28.00
1942	14.00	14.00	28.00
1943	14.00	14.00	28.00
1944	14.00	14.00	28.00
1945	14.00	14.00	28.00
1946	14.00	14.00	28.00

AVERAGE CASH SELLING PRICE OF AUTOMOBILES

All are conversant with the fact that during the past two or three years there has been a substantial reduction in the cash selling price of automobiles and this is substantiated by analyzing the average cash selling price of automobiles which have been financed by GMAC during 1927 and 1928. The following figures readily bring out these facts:

Year	Average C.S.P. New Cars	Average C.S.P. Used Cars	Average C.S.P. All Cars.
1927	\$929.00	\$425.00	\$703.00
1928	873.00	419.00	670.00

The reduction in the prices of automobiles has naturally had an effect upon the average amount of the note on a car which is being financed. This change is readily reflected by the following figures:

Average Amount of Note.

Year	Average Amt.Note New Cars	Average Amt.Note Used Cars	Average Amt.Note All Cars.
1927	\$586.00	\$281.00	\$449.00
1928	556.00	277.00	429.00

AVERAGE CASH SELLING PRICE OF AUTOMOBILES

All are consistent with the fact that during the past two or three years there has been a substantial reduction in the cash selling price of automobiles and this is substantiated by analyzing the average cash selling price of automobiles which have been financed by GMAC during 1937 and 1938. The following figures readily bring out these facts:

Year	Average C.S.P. New Cars	Average C.S.P. Used Cars	Average C.S.P. All Cars
1937	\$329.00	\$423.00	\$375.00
1938	\$28.00	\$19.00	\$23.00

The reduction in the price of automobiles has naturally had an effect upon the average amount of the note on a car which is being financed. This change is readily reflected by the following figures:

Average Amount of Note

Year	Average Amt. Note New Cars	Average Amt. Note Used Cars	Average Amt. Note All Cars
1937	\$338.00	\$421.00	\$380.00
1938	\$28.00	\$17.00	\$22.00

THE REPOSSESSION STUDY

A recent study has disclosed the fact that approximately eighty-five percent of all repossessions take place before the first six installments are paid by the purchaser and that most of the repossessions are made after the first two or three installments have been paid. By far, the predominating cause for the non-payment on the accounts and the resulting repossessions is unwise buying on the part of the purchaser or the purchaser over-estimated his ability to pay the obligation.

The means of controlling this situation really rests with the extension of credit by the dealer and the finance company and to a great extent, repossession may be greatly reduced by a more careful extension of credit to purchasers.

Automobile financing has been said to have caused a certain dependence of delinquencies, repossessions, losses, and dealer-turnover upon business conditions. However, the net write off studies have shown that there has been such a marked decrease of the percentage of net write offs that progress is being made continually in the more careful selection of both dealers and purchasers and there is every promise that this improvement will continue.

A further reduction in delinquency, repossession, and losses may be brought about by the continual forecasting of future business conditions

THE REPONSE STUDY

A recent study has disclosed the fact that approximately eighty-

five percent of all respondents take place before the first six
installments are paid by the purchaser, and that most of the respondents
are made after the first two or three installments have been paid. By far,
the predominant cause for the non-payment on the accounts and the result-
ing respondent is unable paying on the part of the purchaser or the
purchaser over-estimated his ability to pay the obligation.

The means of controlling this situation really rests with the ex-
tension of credit by the dealer and the financial company and to a great
extent, respondents may be greatly reduced by a more careful selection
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that progress in being made continually in the more careful selection of
both dealers and purchasers and there is every promise that this improve-
ment will continue.

A further reduction in delinquency, respondents, and losses may be
brought about by the continual forecasting of future business conditions

thereby tending at least to reduce, if not entirely eliminate, the so-called unforeseen causes which usually appear in times of business depression. A conclusion may be reached which in short means that those having to do with the extension of credit may control almost all of the so-called evils of installment selling.

THE DEPRESSION STUDY

¹
Professor Seligman recently made a detailed study of the effect of a depression in a certain industry upon the promptness with which installment payments are made during such a period. The results of this study disclosed the fact that delinquencies increased about twenty percent in the Anthracite Coal region during the strike in that industry which occurred during the latter part of 1925 and the early part of 1926 and that there was some increase in the number of repossessions.

The conclusions of this study lead us to believe that the curtailment of purchasers' incomes must be unusually severe before any marked effect is noticeable, and before finance companies suffer any great embarrassment.

This investigation also pointed out in a striking manner that one of the great advantages a finance company has over a general credit bank is that the latter must continue to extend credit to

thereby tending at least to reduce, if not entirely eliminate, the so-called unforeseen losses which usually appear in times of business depression. A conclusion may be reached which in short means that those having to do with the extension of credit may control almost all of the so-called evils of installment selling.

THE DEPRESSION STUDY

Professor Seligman recently made a detailed study of the effect of a depression in a certain industry upon the promissory with which installment payments are made during such a period. The results of this study disclosed the fact that delinquencies increased about twenty percent in the automotive fuel region during the strike in that industry which occurred during the latter part of 1933 and the early part of 1934 and that there was some increase in the number of repossessions.

The conclusions of this study lead us to believe that the outward part of promissory losses must be unusually severe before any real effect is noticeable, and before financial conditions suffer any great embarrassment.

This investigation also pointed out in a striking manner that one of the great advantages a finance company has over a general credit bank is that the latter must continue to extend credit to

customers of doubtful financial status during times of depression in order to save not only their clients but also their own investments, whereas during such periods an installment credit house need only to place a greater restriction upon its credit extension activities and automatically its receivables will be reduced to a financially sound volume or, if necessary, the outstandings may be liquidated in a very few months. In short, the method of credit extension has a marked effect for good or evil upon business depressions. If credit is extended in a painstaking manner the intensity of depressions will be reduced but the careless extension of credit increases and intensifies business adversity.

It is felt, however, that one study is not a sufficient basis upon which to arrive at any definite conclusions, therefore, an attempt shall be made to set forth in a cursory manner the effect of the severe flood of 1927 and 1928 in New Hampshire, Vermont, and western Massachusetts upon delinquency, repossessions, and losses and also, the effect of the recent labor disputes and unrest in the small mill cities of southern Massachusetts.

The economic and social justification for any business enterprise is dependent upon its ability to render both social and economic services not only when business conditions are satisfactory, but also

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extension of credit to business during times of depression
in order to save not only their clients but also their own business.
months, whereas during such periods an installment credit house need
only to place a greater restriction upon the credit extension.
activities and automatically the restrictions will be reduced to a
financially sound volume or, if necessary, the restrictions may be
relaxed in a very few months. In short, the method of credit
extension has a marked effect for good or evil upon business
depression. If credit is extended in a painstaking manner the
intensity of depression will be reduced and the consequent extension
of credit increases and intensifies business activity.
It is felt, however, that our study is not a sufficient basis
upon which to arrive at any definite conclusions, therefore, an
attempt shall be made to set forth in a summary manner the effect
of the severe flood of 1937 and 1938 in New Hampshire, Vermont, and
western Massachusetts upon delinquency, bankruptcies, and losses
and also, the effect of the recent labor dispute and unrest in the
small mill cities of northern Massachusetts.
The economic and social justification for any business exten-

price is dependent upon its ability to render both social and economic
services not only when business conditions are satisfactory, but also

when they are depressed or materially effected by some unforeseen exigency. These facts prompt us to analyze the results of the Boston Branch during two recent periods of business adversity.

During December 1927 the entire state of Vermont, a large portion of New Hampshire and western Massachusetts experienced the worst flood ever known in the north eastern section of this country. A layman might logically expect that the number of repossessions in the stricken area increased manifold, the delinquency percentage was unprecedented, and the losses sustained by GMAC were abnormally high.

A study of the results during that period and during the period of rehabilitation disclosed the fact that the Corporation did not sustain a loss of one dollar, repossessions did not materially increase and the percentage of delinquency increased but a relatively small amount.

As a means of further stressing these facts, the following figures set forth the deviation from the branch normal in delinquency and repossession during those months immediately following the flood in that territory effected by that catastrophe.

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and repossession during those months immediately following the flood
in that territory affected by that catastrophe.

1

DELINQUENCY AND REPOSSESSION DEVIATION

Month 1928	Accts. Delinquent 3-30 days	Accts. Delinquent 31-60 days	Accts. Delinquent over 60 days	Repossessions
January	1.5%	.70%	.190%	.13%
February	.68%	.23%	.172%	.40%
March	.37%	.26%	.21%	.52%
April	.75%	.195%	.083%	.25%
May	.63%	.29%	.08%	.47%
June	.60%	.35%	1.04%	1.12%
Total	.530%	.353%	.581%	.31%

Black figures show increase over Branch normal.

Red figures show decrease under Branch normal.

These results were brought about by contacting with almost every purchaser who had been effected by the flood, outlining the Corporation's policy, namely, that it wished to be of service in the time of distress and definitely questioning each purchaser as to his probable future ability to make payments on his account. With the cooperation of the dealers and purchasers retail renewal notes were drawn up, thereby avoiding possible losses through the repossession of automobiles and with much more satisfactory results in that the purchasers continued to have the use of their automobiles during that time of stress, and no dealer was overburdened during the temporary economic strain which accompanied that disaster. Dealers were aided by the renewal of wholesale notes.

DELIVERIES AND RETENTION INQUIRY

Month	Accts. Delivered 1-30 days	Accts. Delivered 31-60 days	Accts. Delivered over 60 days	Retention
January	1.50	.70	1.50	.10
February	.80	.10	.70	.10
March	.70	.20	.50	.10
April	.70	.10	.60	.10
May	.60	.20	.40	.10
June	.60	.20	.40	.10
Total	5.90	2.50	5.50	.50

Black figures show increase over March normal.
Red figures show decrease under March normal.

These results were brought about by contacting with almost every purchaser who had been affected by the flood, advising the Corporation's policy, namely, that it wished to be of service in the time of distress and definitely questioning each purchaser as to his probable future ability to make payments on his account. With the cooperation of the dealers and purchasers retail rental rates were drawn up, thereby avoiding possible losses through the repossession of automobiles and with much more satisfactory results in that the purchasers continued to have the use of their automobiles during that time of stress, and no dealer was overburdened during the temporary economic straits which accompanied that disaster. Dealers were aided by the renewal of wholesale notes.

These results certainly proved that the Corporation was of real service to the community and that it does not countenance high-handed methods but always fairness to everyone. To be sure, GMAC must have created and built up that very important but oftentimes intangible something called "Good Will" without which no organization may increase its activities let alone merely survive.

A very similar economic condition has recently existed in the mill towns in southern Massachusetts since last summer until but two or three months ago. There has been a prevalence of labor unrest, disputes, and a series of strikes and during that period when the income of that class of workers was in many cases entirely shut off it is expected that unprecedented delinquency and repossession was experienced. On the contrary the increase in the percentage of delinquency was far from alarming and the percentage of repossession was practically normal throughout the period of the strikes.

As a means of more vividly setting forth the results of an actual investigation into the facts in this case, the liberty is being taken of setting forth the results of our delinquency study.

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1

DELINQUENCY AND REPOSSESSION DEVIATION

Month 1928	Accounts Delinquent 3-30 Days	Accounts Delinquent over 30 Days.
July	.85%	.25
August	.9%	.8%
September	1.96%	.03%
October	2.1%	.9%
November	.6%	.0
December	3.5%	.4%
Total	1.65%	.18%

Black figures show increase over Branch normal average.

Red figures show decrease under Branch normal average.

From the above figures it may be readily realized that the economic unrest which continued for a period of approximately six months had but little effect upon the percentage of current delinquency and, in fact, the percentage of accounts over thirty days in default was somewhat less than the Branch normal percentage.

On the basis of these two studies, the effect of the flood and the strike, conclusions may be arrived at which are very similar to those of Professor Seligman; namely, that the curtailment of purchasers' incomes must be unusually severe before any marked effect is noticeable. These figures, furthermore, definitely point out the policies of the Corporation in aiding those purchasers who have met with temporary financial difficulty and further emphasize that the Corporation has excellent control over the credit situation and is extending credit to those persons who are justified in obtaining it.

1
BALANCE SHEET AND INCOME STATEMENT

Month	Accounts Payable 3-30 days	Accounts Payable over 30 days
July	1.00	.25
August	.75	.25
September	1.00	.25
October	1.00	.25
November	.75	.25
December	1.00	.25
Total	5.50	1.50

Black figures show increase over French normal average.
Red figures show decrease under French normal average.
From the above figures it may be readily realized that the
economic aspect which conditioned for a period of approximately six
months had but little effect upon the percentage of current
delinquency and, in fact, the percentage of accounts over thirty days
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the article, conclusions may be drawn as to the very slight
those of Professor Deligne, namely, that the percentage of cur-
rently, income and the unusually severe factor may not be
is noticeable. These figures, furthermore, definitely point out
the position of the Corporation in relation to those purchasers who have
not with temporary financial difficulty and further emphasize that
the Corporation has excellent control over the credit situation and
is extending credit to those persons who are qualified to obtain it.

CHAPTER XIV.

THE GENERAL MOTORS EXPORT COMPANY AND GMAC OVERSEAS¹

The General Motors Export Company was formed in 1911 with its headquarters in New York City and with offices at the important overseas centers of trade now numbering twenty. This Company is responsible for the export of all General Motors cars.

In January, 1924 the first assembly plant was established at Copenhagen, Denmark and also acted in the capacity of operator of warehouses, and as distributor so that the dealers might be better served. Other assembly plants and warehouses, all of the stock of which is owned by the General Motors Corporation, have been incorporated. Automobiles are shipped to assembly plants in bulk from the factorites in the United States and Canada, whereas in the case of warehouse operations the completed car is knocked down at the factory, crated, and exported. The warehouse overseas uncrates, re-assembles, and delivers the automobile to the dealer.

It often happens that a portion of the automobile is shipped and the remaining materials, such as tires and body building materials are purchased in the overseas country.

The overseas plant is a self-contained unit with General Motors men at its head, but the Executive Staff is usually composed of the citizens of the overseas country who have been successful in other lines

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It often happens that a portion of the automobile is shipped and the remaining materials, such as tires and body building materials are purchased in the overseas country.

The overseas plant is a self-contained unit with General Motors men at the head, but the Executive Staff is usually composed of the citizens of the overseas country who have been successful in other lines

of business. Local workmen are used in these plants and they are trained under our American system of assembly, and distribution. In these ways, the General Motors is in business in overseas countries, they employ citizens of those countries, offer steady employment and good wages, and purchase supplies and materials thereby aiding the increase of purchasing power to no small degree.

It is very seldom that all of the automobiles assembled in an overseas country are sold in that country but they are often exported to other nearby countries, such as the assembly plant at Antwerp, Belgium exports cars to Holland and to Switzerland. In this way, the General Motors has an influence upon the balance of trade between all of the countries in the world and it directly effects the commerce and trade between countries.

In order to build up a large volume of business in automobiles in the overseas market it was readily seen that it would be necessary to have proper distribution facilities for all of the dealers. The overseas subsidiary company has assumed this function and maintains direct contact with all dealers and conducts the advertising and sales-promotion work of all General Motors automobiles. Under such a system, sound sales policies, uniform prices, proper advertising, adequate service to purchasers, and a sufficient and correct supply of automobiles and parts have been brought about.

The General Motors Acceptance Corporation maintains a branch in every overseas country where there is a General Motors assembly or warehouse plant. The Acceptance Corporation is able, in this way, to offer financing service to the assembly plants, overseas dealers, and the retail purchasers. The extension of Wholesale and Retail credit is given on the same basis as in this country except that dealers may pay for automobiles at the point of importation in the overseas countries under terms that offer facility of credit or payment. These drafts are drawn in American dollars or in the currency of the country in which the dealer is located and are of three kinds; (1) drafts drawn payable at sight; (2) time drafts, documents delivered against payment; (3) time drafts, documents delivered against acceptance.

The overseas department of GMAC was founded in 1919 and since that date until the end of 1927 this department has purchased obligations of overseas dealers and retail purchasers totaling \$256,804,446 of which \$75, 200,855 was in 1927. Since that date, there has been a rapid increase in the overseas volume of business and it is expected that now that the General Motors Corporation has purchased the Opel Works in Germany and there is a rumour that the Corporation may purchase interests in a large French plant, that this volume will be greatly increased within the next few years.

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The overseas department of GMAC was founded in 1919 and since that date until the end of 1937 this department has purchased automobiles of overseas dealers and retail purchasers totaling \$250,000,000 of which \$75,000,000 was in 1937. Since that date, there has been a rapid increase in the overseas volume of business and it is expected that now that the General Motors Corporation has purchased the Opel Works in Germany and there is a rumor that the Corporation may purchase interests in a large French plant, that this volume will be greatly increased within the next few years.

There are certain limiting factors in the overseas market which have had a direct effect upon foreign sales. The tariffs of foreign countries and the costs of freight and handling have added approximately 33% to the retail delivered price of an automobile to a user over the retail price in this country. This increase has changed the price class of General Motors' products. As an example, a Buick automobile overseas is in reality in the same price class as a Cadillac automobile in this country and the same reasoning applies to all General Motors products.

The per capita wealth and income is much less than in this country, the taxes are high, the costs of gasoline, tires, oil, and other items add to the expensive operation costs of automobiles.

In spite of these limiting influences, the General Motors Corporation and GMAC have made rapid strides in the export business.

Figures have shown that between 1923 and 1926 of all automobiles manufactured in the United States and Canada 7% were exported and during these same years, the General Motors sold overseas more than 9% of its total output and in 1927 it sold 13.5%. At the present time, the overseas business of General Motors amounts to 30% of the total value of all makes of American and Canadian motor cars sold abroad and exceeds any other American motor car manufacturer. This

There are certain limiting factors in the overseas market which have had a direct effect upon foreign sales. The tariffs of foreign countries add the costs of freight and handling fees added approximately 10% to the retail delivered price of an automobile to a user over the retail price in this country. This increase has changed the price class of General Motors' products. As an example, a Buick automobile overseas is in reality in the same price class as a Cadillac automobile in this country and the same reasoning applies to all General Motors products.

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percentage has been more than doubled within the last six years.

At the present time the personnel of the export organizations of the General Motors number 14,000 people, there is over \$55,000,000 invested in working capital, equipment, inventory, and plant in the territory served which includes 104 countries or about 85% of the world's overseas market. It is estimated that there are approximately 6000 overseas distributors and dealers and over 40,000 overseas service stations.

A more vivid picture of the increase of the business in the overseas department of the General Motors Corporation is set forth in the following figures:

Overseas Sales by the Export Organization of General Motors.

<u>Year</u>	<u>Number of Cars and Trucks</u>	<u>Net Sales Wholesale</u>
1922	21,872	\$ 19,875,115
1923	45,000	39,193,869
1924	64,845	50,929,322
1925	100,894	77,109,696
1926	118,791	98,156,088
1927	193,830	171,991,251

It is a known fact that this progress overseas would not have been made if the Acceptance Corporation had no branches in these countries. The retail and wholesale credit extension has allowed a dealer to merchandise soundly and at the lowest cost, has increased the foreign automobile market and has allowed the purchasers to have

percentage has been more than doubled within the last six years. At the present time the personnel of the export organization of the General Motors number 14,000 people, there is over \$25,000,000 invested in working capital, equipment, inventory, and plant in the territory served which includes 104 countries or about 80% of the world's overseas market. It is estimated that there are approximately 6000 overseas distributors and dealers and over 40,000 overseas service stations.

A more vivid picture of the importance of the business in the overseas department of the General Motors Corporation is set forth in the following figures:

Overseas sales by the Export Organization of General Motors.

Year	Number of Cars and Trucks	Net Sales Wholesale
1937	185,830	171,461,281
1936	118,781	99,104,039
1935	100,834	77,109,438
1934	84,443	60,729,322
1933	66,000	39,123,889
1932	31,871	\$ 12,876,113

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automobiles financed in an economical and sound manner.

There is every evidence that the General Motors Export Company and GMAC will continue to increase their activities overseas and cause constantly expanding international markets which are a most important factor in the automotive industry in America and will become increasingly so in future years. This industry will have no small influence upon the economic and social relations of all of the countries in this world and will have a direct bearing upon the prosperity of every country.

There is every assurance that the foreign field of the General Motors will be continually increased under the same sound bases as in the past.

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CHAPTER XV.

THE BOSTON BRANCH RESULTS¹

It seems an opportune time to analyze the trends and results of certain phases of the operations of the Boston Branch which is one of the ten largest GMAC branches from the standpoint of dollar volume of business.

Retail and Wholesale Volume

<u>Year</u>	<u>Retail Volume</u>	<u>Wholesale Volume</u>
1923	\$ 3,647,101.	\$ 2,507,963.
1924	4,395,834.	1,796,719
1925	4,414,410.	1,144,812.
1926	7,145,732.	3,339,437.
1927	10,991,170.	7,204,919.
1928	<u>13,499,970.</u>	<u>10,505,919.</u>
Total	\$44,094,217.	\$26,499,769.

The 1929 volume up to the present date is equal to that of last year although two new New England Branches have been opened since the first of last year.

These figures are comparable with the increase in the volume of business of the entire Corporation.

Average Yearly Number of Employees

As a further means of emphasizing the rapid growth of the Boston Branch which is comparable with that of the Corporation itself, figures

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Retail and Wholesale Volume

Year	Retail Volume	Wholesale Volume
1923	\$ 2,847,101.	\$ 2,507,962.
1924	4,325,824.	1,720,713.
1925	4,412,410.	1,144,912.
1926	7,143,732.	2,239,127.
1927	10,397,170.	7,204,319.
1928	12,468,970.	10,306,919.
Total	\$44,034,217.	\$23,403,733.

The 1928 volume up to the present date is equal to that of last year although two new New England Branches have been opened since the first of last year. These figures are comparable with the increase in the volume of business of the entire Corporation.

Average Yearly Number of Employees

As a further means of emphasizing the rapid growth of the Boston Branch which is comparable with that of the Corporation itself, figures

are being set forth which reflect similar trends.

<u>Year</u>	<u>Average Employees on Payroll</u>
1923	26
1924	28
1925	29
1926	37
1927	60
1928	92

These figures substantiate the former statements relating to the constant increase of personnel to handle the volume of business efficiently.

The Boston Branch Losses and Recoveries

(Wholesale and Retail Included)

Of utmost importance is the loss experience of the Boston Branch which is as follows:

<u>Year</u>	<u>Percent Write Offs To Volume</u>	<u>Percent Write Offs Recovered</u>	<u>Percent Net Losses to Volume</u>
1923	.016%	0%	.016%
1924	.035%	31.7%	.24%
1925	.089%	40.4%	.086%
1926	.132%	13.5%	.111%
1927	.186%	17.8%	.153%
1928	.136%	31.0%	.094%
Total	.125%	21.4%	.099%

Through these years the percentage of write offs marked uncollectible to the total volume of retail and wholesale business has been approximate-

are being set forth which reflect similar trends.

Year	Average Employees per Payroll
1933	33
1934	33
1935	33
1936	37
1937	39
1938	32

These figures substantiate the former statement relating to the constant increase of personnel to handle the volume of business efficiently.

The Boston Branch losses and Recoveries
(Wholesale and Retail Included)

Of utmost importance is the loss experience of the Boston Branch which is as follows:

Year	Percent Write Offs Percent Net Losses to Volume	Recovered	to Volume
1933	0.16%	0%	0.16%
1934	0.33%	31.7%	0.33%
1935	0.33%	40.4%	0.33%
1936	1.3%	12.3%	1.3%
1937	1.6%	17.8%	1.6%
1938	1.3%	31.0%	1.3%
Total	1.3%	31.4%	1.3%

Through these years the percentage of write offs related to wholesale to the total volume of retail and wholesale business has been approximately

ly 00.04% which is an abnormally low figure for a financing branch.

These figures reflect practically the same experience as the Corporation figures.

Study of the Dealers Using the GMAC Plans.

The real future of the Boston Branch's activities and also those of the entire GMAC is dependent upon the number of General Motors dealers who avail themselves of the GMAC Retail and Wholesale Plans. Consideration must be given the fact that during 1928 two new branches were opened in New England; one in New Haven and another one in Portland, Maine. Many of the dealers' accounts which were handled by the Boston Branch now come under the jurisdiction of those two offices and this effect is shown by the following figures:

Analysis of General Motors Dealer Activity.

Year and Month	No. of Desirable Dealers	No. of Undesirable dealers	No. of Desirable Dealers Using Retail Plan	Number of Desirable Dealers Using Wholesale Plan
<u>1927</u>				
May	748	38	321	124
June	719	52	349	125
July	719	28	318	105
August	711	24	331	143
Sept.	713	23	269	144
Oct.	729	28	262	156
Nov.	705	29	240	79
Dec.	<u>656</u>	<u>28</u>	<u>189</u>	<u>51</u>
Total	5700	250	2279	946
Average	712	31	285	118
Percent	95.7%	4.3%	40%	17%

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These figures reflect practically the same experience as the

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the Boston Branch now come under the jurisdiction of those two offices

and this effect is shown by the following figures:

Analysis of General Motors Dealer Activity.

Year and Month	No. of Dealers	No. of Unavailable Dealers	No. of Dealers Using Retail Plan	No. of Dealers Using Wholesale Plan
July	748	38	321	128
Aug.	718	32	340	128
Sept.	718	28	318	108
Oct.	711	24	331	123
Nov.	712	23	323	104
Dec.	729	19	322	132
Total	4,280	220	2,275	868
Average	712	37	380	145
Percent 85.4%	4.3%			

Year and Month	No. of Desirable Dealers	No. of Undesirable Dealers	No. of Desirable Dealers Using Retail Plan	No. of Desirable Dealers Using Wholesale Plan
<u>1928</u>				
January	633	34	204	130
February	617	66	235	167
March	629	79	277	211
April	625	89	333	184
May	606	73	339	197
June	632	84	353	189
July	631	73	336	159
August	613	85	327	158
September	657	89	333	142
October	666	76	305	124
November	683	73	280	83
December	<u>416</u>	<u>54</u>	<u>178</u>	<u>40</u>
Total	7408	875	3500	1784
Average	617	73	292	149
Percent	89%	11%	47%	<u>23%</u>
<u>1929</u>				
January	428	49	182	67
February	438	48	222	106
March	<u>449</u>	<u>52</u>	<u>271</u>	<u>131</u>
Total	1315	149	675	304
Average	438	49	225	101
Percent	90%	10%	51%	23%

There are certain facts which these figures bring to light. First, there has been almost a constant decrease in the number of dealers which GMAC considers as desirable and an increase of the so-called undesirable dealers. Those in the latter classification are termed as such only by GMAC in that their condition reveals the fact that they are not eligible

Year and Month	No. of Dealers	No. of Dealers Using Retail Plan	No. of Dealers Using Wholesale Plan
1930			
January	683	84	180
February	617	84	167
March	639	79	211
April	683	80	196
May	608	78	187
June	683	84	183
July	681	78	188
August	618	83	188
September	687	83	183
October	688	79	184
November	683	78	83
December	616	84	63
Total	7638	673	1784
Average	617	78	149
Percent	80%	1%	20%
1931			
January	438	40	73
February	438	48	100
March	440	88	181
Total	1316	168	354
Average	438	48	101
Percent	80%	10%	10%

There are certain facts which these figures bring to light. First, there has been almost a constant decrease in the number of dealers which GMAC considers as desirable and an increase of the so-called undesirable dealers. These in the latter classification are termed as such only by GMAC in that their condition reveals the fact that they are not eligible

for credit under the strict GMAC credit requirements. They are forced to do their financing elsewhere or handle their own paper. Although all of the subsidiary organizations work together insofar as is possible, neither loses its own identity nor does it lessen its requirements for the benefit of other subsidiary Corporations and to its own detriment .

The figures have proven that in 1927 but 4.3% of the General Motors dealers under the Boston Branch jurisdiction were considered as undesirable on the basis of credit extension; today, approximately 10% are considered to be in that category. There are two possible reasons for this increase; first, the manufacturer is selecting less desirable dealers or; secondly, GMAC is continually tightening up on its extension of credit to dealers. It is the writer's personal opinion that the latter is the real cause of this increase. In short, GMAC will not lower requirements of dealer credit extension to the detriment of its own position even though it means the sacrifice of business.

The second fact outlined by these figures is that GMAC is obtaining an increasing share of business from the desirable dealers. In 1927 it obtained business from 40% of the desirable dealers using Retail and business from 17% of the dealers using Wholesale. In 1928

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 its requirements for the benefit of other subsidiary corporations
 and to its own detriment.

The figures have proven that in 1937 not 4.4% of the General
 Motors dealers under the Boston Branch jurisdiction were considered
 as undesirable on the basis of credit expansion; today, approximately
 17.1% are considered to be in that category. There are two possi-
 ble reasons for this increase; first, the manufacturer is selecting
 less desirable dealers or, secondly, GMAC is continually tightening
 up on its extension of credit to dealers. It is the writer's
 personal opinion that the latter is the real cause of this increase.
 In short, GMAC will not lower requirements of dealer credit extension
 to the detriment of its own position even though it means the
 sacrifice of business.

The second fact outlined by these figures is that GMAC is
 obtaining an increasing share of business from the desirable dealers.
 In 1937 it obtained business from 60% of the desirable dealers using
 Retail and business from 77% of the dealers using Wholesale. In 1938

these figures were 47% and 23% respectively and during 1929 to date, 51% and 23% respectively. The figures for this year will probably be increased as the active selling season is underway.

A third consideration is that the above increases have taken place despite the opening of two new GMAC Branch offices in New England during the past year thereby causing a transfer of a number of dealers to the jurisdiction of the Portland and New Haven Branches.

There is every reason to expect that these figures will be improved and that the Acceptance Corporation will receive business from a larger percentage of General Motors dealers as the Territorial Managers Plan is developed and perfected.

Experience on Accounts Referred by Other Branches.

When an account assumes the aspect of a serious collection or conversion case, it is often referred to another GMAC Branch in whose jurisdiction the purchaser may reside or may possibly be located. That Branch is in a position to handle the account more efficiently than the originating office. The volume of these accounts differs in each Branch and as may be readily expected, an office operating in a large city, such as New York, Chicago, Detroit or Boston, will have more of these accounts referred to it than will one operating in a more sparsely settled area.

These figures were 47% and 37% respectively and during 1938 to date, 41% and 33% respectively. The figures for this year will probably be increased as the active selling season is underway. A third consideration is that the above percentages have been placed despite the opening of two new GMA Branch offices in New England during the past year thereby causing a transfer of a number of dealers to the jurisdiction of the Portland and New Haven Branches. There is every reason to expect that these figures will be improved and that the Connecticut Corporation will receive business from a larger percentage of General Motors dealers as the territorial managers plan is developed and perfected. Experience of accounts referred by other branches. When an account assumes the aspect of a serious collection or commission case, it is often referred to another GMA Branch in whose jurisdiction the purchaser may reside or may possibly be located. That Branch is in a position to handle the account more efficiently than the originating office. The volume of these accounts differs in each Branch and as may be readily expected, an office operating in a large city, such as New York, Chicago, Detroit or Boston, will have more of these accounts referred to it than will one operating in a more sparsely settled area.

In order to give the reader some idea of the number of such accounts referred to the Boston Branch and the results obtained thereon, the following figures are being set forth:

Year	Average Amt.of Money Outstanding Per Month	Average Monthly Amt.Collectd	Average Percentage Collectd
1927	\$22,929.00	\$ 2,264.00	9.9%
1928	<u>22,478.00</u>	<u>1,977.00</u>	<u>9.8%</u>
Average	21,704.00	2,121.00	9.8%

To a great extent the GMAC losses are maintained at a minimum through the method of referring troublesome accounts to branches more conveniently located to the purchaser or the collateral. This system has been made possible through the number of GMAC Branches scattered throughout the United States and Canada.

Accounts in Litigation

Although there are times when it is necessary to instigate litigation in order to effect collection on an account or repossession of an automobile, the number of such cases is a very small percentage of the total number of dealer and purchaser accounts in this Branch.

Litigation may be resorted to in cases of replevin, bankruptcy, attachment, confiscation, embezzlement, and breach of contract. It is not the policy of GMAC to instigate criminal action if there is any

In order to give the reader some idea of the number of such accounts referred to the Boston Branch and the results obtained thereon, the following figures are being set forth:

Year	Average No. of Letters Outstanding Per Month (Estimated)	Average Monthly Amount Collected	Average Percentage Collected
1927	\$23,922.00	\$ 2,204.00	9.2%
1928	22,475.00	1,877.00	8.3%
Average	\$1,704.00	2,121.00	9.5%

To a great extent the GMC loans are maintained at a minimum through the method of relaying franchise accounts to branches more conveniently located to the purchaser or the collateral. This system has been made possible through the number of GMC Branches scattered throughout the United States and Canada.

Accounts in litigation

Although there are times when it is necessary to institute litigation in order to effect collection on an account or repossession of an automobile, the number of such cases is a very small percentage of the total number of dealer and purchaser accounts in this branch. Litigation may be resorted to in case of repudiation, bankruptcy, attachment, confiscation, seizure, and breach of contract. It is not the policy of GMC to institute criminal action if there is any

other possible way of settling its claim.

It is difficult to set forth any exact yearly figures on the number of or the amount involved in accounts in litigation for cases often carry over for a period of two, three or even four years. In the Boston Branch, however, the average number of accounts in litigation at any one time range from seventy-five to one hundred and the amount involved from \$20,000. to \$35,000.

By far, the majority of litigation cases are suits for breach of contract where the collateral has been in a collision and the Acceptance Corporation has been forced to sustain a deficiency subsequent to the re-sale or the abandonment of the collateral.

The number of cases in which the Corporation instigates suit for the recovery of an automobile seized by the Authorities for the illegal transportation of alcoholic liquors or for violation of the Customs Acts is negligible as it is not its policy to litigate such cases where the purchaser is collectible and where he has violated the terms of the contract and the Acceptance Corporation knew or should have known that the purchaser was engaged in an illicit business. GMAC will not use the courts as a collection agency or to obtain the release of an automobile where its contract was violated and the purchaser is collect-

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CHAPTER XVI.

SUMMARY

In summarizing this section of this study it is evident that the growth and results of GMAC have been satisfactory. The Corporation and Boston Branch volume has increased greatly within the past three or four years.

The loss results prove decisively that proper credit is being extended to not only purchasers but also dealers. When a large Corporation such as this one is able to point to losses amounting to less than one sixth of one percent over a period of several years there seems to be no need to fear that unsound credit is being expanded. It should be borne in mind that the loss figures cover periods of economic strain, floods, strikes, labor unrest and unemployment, as well as, periods of business activity and the so-called "good times".

Proper care has been taken to build up the organization in the form of additional branches and employees to assure that the GMAC service which is really the one thing that the Corporation has to offer will be maintained at a high level.

The yearly operating profit has increased materially from year to year since the depression year of 1921. It seems almost unbeliev-

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The yearly operating profit has increased materially from year to year since the depression year of 1931. It seems almost unbelievable

able that a Corporation could increase its net profits almost thirty-five percent between 1922 and 1928, and that the percent earned on volume has increased approximately 16% since 1922. The percent earned on Capital Funds is not an exact criteria of the progress of the Corporation as this figure is materially effected by any increase in interest rates or by the decision of the Board of Directors to set aside a larger amount for reserves or surplus. Such was the condition in 1928 and as the management believed that the income for 1928 was unduly favored by general business conditions, it set aside one million dollars as an additional reserve against receivables and contingencies.

The average percent earned on capital funds for the past five years has been 18.57% which is, indeed, a very satisfactory figure.

There has been a continual increasing in dividends during the past four or five years and the percentage on the capital stock in 1928 amounted to 19%.

The repossession figures have been improved each year for the past three years and it seems very evident that if a dealer merchandises soundly and used his Dealers' Reserve properly he should not suffer any net loss on repossessions, as these figures prove conclusively that the Dealers' Retail Reserve is sufficiently large to offset any proper losses which the dealers might be forced to absorb.

This that a Corporation could increase its net profits almost thirty-
 five percent between 1933 and 1938, and that the percent earned on
 volume has increased approximately 15% since 1933. The percent earned
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 which the dealer might be forced to absorb.

The detailed study relating to the percentage of down payment shows a distinct tendency on the part of the dealers to obtain a larger down payment, thereby giving the purchaser a greater equity in the automobile at the time that it is purchased. This phase of merchandising and credit extension has a decided effect upon the percentage of repossessions and write offs for experience has proven that the greater equity an individual has in any commodity the more highly he prizes it.

Although there has been a slight increase in the granting of excess time on contracts this increase need cause no alarm.

The conclusion which may be drawn from the depression studies is that the Corporation rendered a very humane and sound economic service without its financial position having been noticeably effected.

The capitalization of GMAC and its borrowing lines are such that sufficient funds are available at all times to afford the proper extension of credit. It will be very interesting to watch the net earnings during the year of 1929 when the price of money will undoubtedly be very high. It is the writer's personal opinion that the rates, and Retail and Wholesale Plans will not be changed but that many internal economies will be instigated so that these high

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money rates, plus the probable depression of business will have but little effect upon the net income for this year.

From these studies it seems as though the Corporation has been built upon a firm foundation and is in a position to conquer any and all adverse conditions and to continue its past expansion.

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little effect upon the net income for this year.

From these studies it seems as though the Corporation has been

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all adverse conditions and to continue its past expansion.

CHAPTER VII

CHAPTER VIII

The general feeling of the country is one of optimism and hope, and the government is taking steps to meet the needs of the people. This feeling is based on a sound and sane basis, and is justified. The government is taking steps to meet the needs of the people, and is doing so in a most efficient manner. The government is taking steps to meet the needs of the people, and is doing so in a most efficient manner.

SECTION VI.

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Chapter XVII. Conclusions of this Study.

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SECTION VI.

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Chapter VIII. Conclusions of this study.

CHAPTER XVII .

CONCLUSIONS

The installment selling of automobiles is destined to continue and have ^{an} ever increasing influence upon our social and economic life. When this phase of business is handled in a sound and sane manner it justifies itself and the operations of any enterprise conducting its business upon such bases is serving in a productive way.

From the facts which have already been set forth it must be agreed that at the present time the General Motors Acceptance Corporation enjoys a most favorable reputation in this field. This study, however, would be of little value if it were impossible to look ahead into the future to visualize the probable position which this Corporation will hold in years to come.

The basic foundation of any enterprise is its management. The Corporation is continually training young men so that they may assume executive positions as the activities of the Corporation are increasing or as the present executives relinquish their positions. Under the General Motors policy of "Decentralizing Operations and Responsibilities with Coordinated Control" there are additional means of developing future executives of the Corporation and in this way bring about a continuance of its policies for some years to come and

CHAPTER XVII

CONTINUATION

The important selling of automobiles is destined to continue and have ever increasing influence upon our social and economic life. When this phase of business is handled in a sound and sane manner it justifies itself and the operations of any enterprise conducting its business upon such basis is working in a progressive way. From the facts which have already been set forth it must be agreed that at the present time the General Motors Association Corporation enjoys a most favorable reputation in this field. This study, however, would be of little value if it were impossible to look ahead into the future to visualize the probable position which this Corporation will hold in years to come.

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thereby lend an assurance of stability and advancement.

Since the Corporation was organized in 1919 it has materially improved its financial position yearly and its structure is such that it need have little fear for periods of depression or for a change in the amount or style of the consumers' demand.

The policies relating to the setting up and the maintenance of the surplus and reserve accounts will be continued and the amounts will be increased rather than decreased thereby allowing GMAC to readily breach over any contingency or emergency.

There is no reason to believe that the General Motors Acceptance Corporation Retail or Wholesale Purchase Plan or rates will be materially changed nor will underlying policies on the extension of credit. The "Good Will" policy is permanent and although at the present time it may reap more or less intangible results, over a period of time the effects will be real and to the distinct advantage of the entire General Motors Corporation and each of its subsidiary organizations.

The personnel policies are sound and the majority of the employees have vision which is sufficiently broad enough to realize that the Corporation offers and even promises a future and that by good hard work each will reap his just reward through promotions.

...and an increase in stability and efficiency.

Since the Corporation was organized in 1912 it has substantially improved its financial position and its structure is such that it need have little fear for periods of depression or for a change in the amount or rate of the payments, should.

The policies relating to the setting up and the maintenance of the surplus and reserve accounts will be continued and the accounts will be increased rather than decreased during the following year so as to provide for any emergency or emergency.

There is no reason to believe that the General Motors Corporation will be able to obtain a better financial position than it now has. It is not likely that the company will be able to obtain a better financial position than it now has. It is not likely that the company will be able to obtain a better financial position than it now has.

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The personal policies are sound and the majority of the employees have vision which is sufficiently broad enough to realize that the corporation effort and even produce a future and that by good will with each will reap the just reward through production.

The extension of credit is sufficiently controlled to guarantee continued earnings and a positive control of costs.

There is no reason to believe that the delinquency, repossession, or loss records of the past, which all must agree have been fairly satisfactory, will not be similiar, if not actually improved, in years to come as more and more experience is obtained on accounts under this classification.

The manner in which several emergencies have been met by GMAC and the experience obtained at these times leads everyone to believe that if similar situations arise they will be handled at least as efficiently as in the past.

There is still another aspect of GMAC activities other than those which have been previously outlined but only in a casual manner, namely; the way in which all subsidiaries of the General Motors Corporation cooperate for the benefit of the automobile industry. Through the experience and loss records very valuable information is given to the subsidiary organizations by GMAC. The factories, on the other hand, have installed accounting systems in the dealers' places of business so that now for the first time in the history of many of these dealers' organizations they are able to ascertain their real costs and profits. In the past, where there has been any semblance of accounting, it has

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that now for the first time in the history of many of these business

organizations, and are able to ascertain their real costs and profits.

In the past, where there has been any semblance of accounting, it has

usually been carried on in a haphazard manner, but now it is so installed and supervised that the real financial status and the way in which each dealer is operating may be ascertained by not only the distributor but also the finance company. It is the continuous harmony, cooperation and coordination between GMAC and the other subsidiary organizations which is laying the basic foundation for the General Motors Family of the future.

For the past decade or more great emphasis has been laid upon proper accounting and control methods. These are now practically perfected. We are entering a period of distribution analysis and distribution cost control. The enterprise of the future will be that one which has been able to reduce its distribution costs to the minimum. The ability of General Motors to reduce the distribution cost of General Motors products to purchasers and dealers will in no small degree determine the future of the General Motors Corporation and all of its subsidiary organizations. Between 60 and 65% of all automobiles sold are financed on the installment plan and it has been estimated that in 1928 the total number of cars sold in this country was approximately 46,000,000. It is evident, therefore, that installment selling is a vital factor in sales promotion and distribution and that the automotive industry is dependent upon the services,

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and that the automotive industry is dependent upon the services

effectiveness and costs of distribution of finance companies. The future of each automobile manufacturer and dealer depends entirely upon the financing company which has an unbelievable influence in determining distribution costs.

The underlying policies and methods of GMAC and its continual search for better methods lends confidence to the contention that now that distribution problems are present and will continue to arise for sometime to come, they will be properly solved as they rise and to the advantage of the entire world.

The basic frame work of the General Motors Corporation has been laid and its building up is constantly in progress. The employees of today who will be the real executives of tomorrow are learning through their every day experience how the proper finish should be applied in the future and to the writer there seems no reason why the resultant should not be the perfect financing and banking institution.

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37. The proving ground for the products of General Motors.
38. Plants and products of General Motors.
39. The export organizations of General Motors.
40. Methods of financing Retail sales of motor vehicles.
41. Development of installment purchasing.
42. How plant expansion and additional working capital are financed by General Motors.
43. My finance plan.
44. A message to General Motors dealers regarding stocking of cars.
45. Financial control policies of General Motors.
46. Selling cars on credit.
47. Forecasting and planning.

BOOKS AND PAMPHLETS ISSUED BY THE GENERAL MOTORS

CONVENTION AND COUNCIL

30. Territorial Manager Plan of Field Organization.
31. Decentralized Operations and Coordinated Control in General Motors.
32. How has success been achieved by General Motors?
33. Principles and Policies behind General Motors.
34. Investment Selling.
35. The new device committee of General Motors.
36. The sales financing organization of General Motors.
37. The proving ground for the products of General Motors.
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46. Selling cars on credit.
47. Forecasting and planning.

48. Financial statements and annual reports.
49. Various issues of the News and Views the monthly magazine of GMAC.
50. Facts about a Famous Family-Monthly publication of the General Motors Corporation.
51. Various standardized GMAC forms and records.
52. The GMAC Retail Purchase Plan, #101.
53. The GMAC Wholesale Plan.
54. Presenting the Plan.

PERSONNEL BOOKLETS.

60. Employees' Savings and Investment Plan of General Motors Corporation.
61. How members of the General Motors Family are made partners in General Motors.
62. An explanation of the Savings Plan.
63. Stock Subscription Plan of General Motors.
64. Seven Percent Stock of General Motors.
65. Ten good reasons why every employee should subscribe to the new Motors Insurance Plan.
66. Employees' New Group Insurance Plan.

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- 45. Various issues of the News and Views the monthly magazine of GMA.
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- 47. Various standards GMA forms and records.
- 48. The GMA Retail Purchase Plan, WPA.
- 49. The GMA Wholesale Plan.
- 50. Presenting the Plan.

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- 51. Employees' Savings and Investment Plan of General Motors Corporation.
- 52. How members of the General Motors family are made partners in General Motors.
- 53. An explanation of the Savings Plan.
- 54. Stock Subscription Plan of General Motors.
- 55. Seven Percent Stock of General Motors.
- 56. Ten good reasons why every employee should subscribe to the new Motors Insurance Plan.
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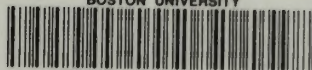
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Installment selling of automobiles	
DATE	ISSUED TO
7	Wesley Skaps
1.30	Benj. Myerow
	15. Berkeley St.,
	Boston.
6.25	H. Gardner
6.00	W. F. M. H.

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